SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of the hearing held
at the Parliament Buildings,
Toronto, Ontario,
on the 20th day of November, 1963.

---UPON RESUMING AT 10:00 A.M., NOVEMBER 20, 1963.

THE CHAIRMAN: Gentlemen, since it is ten o'clock and we have a quorum, we will proceed with out meeting. The first gentleman we are to hear from this morning is Mr. Wilfred P. Gregory, Q.C., Executive Vice-President and Managing Direcor of the British Mortgage & Trust Company. Mr. Gregory?

MR. GREGORY: I presume, Mr. Chairman, that we are seated, are we?

THE CHAIRMAN: Whatever you prefer.

MR. GREGORY: This is a new experience for me to appear before such an august company. It's a little different from a courtroom. I hope I make no blunders, but if I do I am sure you will draw my attention.

Mr. Chairman and gentlemen, I am Executive Vice-President of the British Mortgage & Trust Company and I have put their last annual statement in front of you, or Mrs. Dell has done it for me, and you will see there something about the Company so you can get some idea where we are and what we are pictorially. The Company was incorporated in 1877 in this Province for the purpose of raising money in order to lend it to those in the Province who required money on the security of a mortgage. The governing statute at that time was patterned after legislation in England which incorporated Building Societies to raise money to lend on mortgage to their own members. Money for this purpose -- mortgage purposes -- was so scarce in Ontario they adopted this same type of legislation

and many institutions were being formed at that time to meet this need for mortgage money. But then in Ontario a distinction developed from the English Building Societies, which were similar to Credit Unions, but here it was decided to have companies get money from the public to lend to other members of the public and not just to themselves. And the Canada permanent name comes from that distinction, it was a permanent company and that is why they adopted that name back in the 19th Century. So our Company was incorporated to raise money in the community to make it available on mortgage mainly to farmers who had a most difficult time to obtain any credit. There were practically no funds to be borrowed. At that time our company was called The British Mortgage Loan Company of Ontario.

It is a far cry from that day to this when hundreds of millions of dollars are put out on mortgage loans in Ontario alone every year. This is in addition to the further hundreds of millions which are available in one way or another for the credit of the consumer along other lines. Our company, too, has developed. It's name is now British Mortgage & Trust Company, and it is chartered as a trust company under the Ontario Loan and Trust Corporations Act. Business is transacted through eleven offices in the Stratford and Toronto areas. And this year we opened our first office in Metropolitan Toronto itself at Yonge and Eglinton. Last year we made commitments of practically thirty million dollars on mortgages. This finally resulted in only twelve million addition to our

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books after replacing the ones which were paid off and having about four extra million in commitments. But that is quite a large sum to be put out by a small, country company.

Our activities with respect to consumer credit are limited to first mortgage loans or loans made with securities as collateral. We have just recently branched into this latter field because of the scarcity of good mortgages. We have assets of about eighty million dollars, of which practically fifty-five million are invested in mortgages. This is just about two-thirds. This policy harks back to our very beginnings of our company as a purely mortgage company. We still try to place as high a percentage as feasible in good mortgage loans. There are, of course, restrictions under the Loan and Trust Corporations Act, as you know. For instance, we can only lend up to two-thirds of the value of the security in any one mortgage. This restriction was placed on us last year by the legislature. Before that time we, in particular, had ranged a little more widely in some areas where there is extra security and possibly gone up to 70, 75%. But we can't do that any more. We cannot lend more than fifteen percent of our paid up capital and reserve funds -- that is, our own money -- to any one company. It is almost impossible to lend on second mortgages -- well, actually, if the second mortgage doesn't get over 66% on total, we can put 5% of our money in second mortgages. We must meet certain liquidity provisions of the Act which were passed to insure that we would always have some

money on hand to make available to those our our depositors who required it. Of course that is an essential and sound provision.

About twenty percent of our deposit liabilities to the public are repayable on demand. The balance of eighty percent are on time deposits, which give a greater amount of leaway in arranging to pay for them at maturity. However, the average length of these time deposits is less than five years. Furthermore, an individual mortgagor is entitled to pay off his mortgage at the end of five years, under the Mortgages Act. For these reasons we almost always draw our mortgages for five years at a time. Naturally we want to renew them at the end of that time if the mortgagor has paid promptly, but the renewal will be on the terms as to interest rate and otherwise, which are then in effect. This is fair, of course, to both.

In this method of operating, the trust and mortgage companies are different from the insurance companies. The latter are able to put away their money for twenty and twenty-five years at a time, because in most cases they do not need to pay out money until the death of the insured. Insurance companies are, therefore, quite happy to go along with loans for twenty years or longer as permitted under the National Housing Act. The trust companies cannot do that with safety, to any great extent. Borrowing short and lending long is known as one of the fastest ways to get into trouble in the financial industry. For instance, if we had taken on loans ten, fifteen years ago at 5%, they would

still be on our books and now we have to pay over 5% to get money. You can see that that would be a most difficult position to be in, losing on every loan you had taken.

The longer and easier terms now quoted by Central Mortgage and Housing Corporation through loans made by insurance companies and other approved lenders have practically driven the trust companies out of the new home field in recent years. Certainly in the lower price bracket we cannot compete on interest rate nor length of term (therefore amount of monthly payment) with the Government insured loans. We are not in the picture with regard to loans up to sixteen thousand dollars, where a house is worth maybe twenty-four or twenty-five. The result has been that we have concentrated on older homes and also on commercial and industrial properties. These are slightly riskier, but there is a great demand for mortgage money in these categories. We have, therefore, met an important public requirement. Because, of course, if you don't have buildings built for industry and commerce, you don't get the employment that you want and it slows down the whole wheels of industry.

I feel that there is a real danger at the present time in making terms for mortgages easier and easier. In the United States the Federal Reserve Board is getting very critical of sloppy lending practices in the housing field. It is possible that the criticism is not as valid here, because there is not the same pressure to get high interest rate loans at any cost. However, some temptation exists. It is important to make

sure that the mortgagor has some equity in his home, that the security is not over-valued, and that repayments do not extend to the "never, never land". And I may say along these lines, Baron's Weekly, an American financial paper, yesterday had a front page article, or editorial on the dangers now existing in the real estate market in the United States. It was most interesting to read it.

The foreclosure rate is rising, in both countries. We must be aware of the implications in this fact. Even with our present prosperity credit has been made too easy. We are near the top of the boom cycle in real estate, with all its attendant dangers. It is important that we try to damp down the blazing fire and not add fuel to bring on a runaway holocaust. Some of us with older memories go back to thirty years ago.

I would like to say a few general words about credit. No one is entitled to credit as of right. It is something which has to be earned and deserved. In many countries of the world the ordinary person just has no opportunity whatever to obtain credit. On this continent, credit has become so freely obtainable, in fact so much pushed at one, that people get the feeling that it belongs to them as of right. This is certainly not the case. A man earns the right to credit by being a dependable, trustworthy person. He then borrows some money within his means and pays it back in accordance with his agreement. Gradually he may expand his credit-worthiness. He may be able to borrow quite large sums

of money for useful purposes because his record has been faultless. But let anyone ask those who have failed to meet their obligations just how fast credit can disappear and how hard it is thereafter to recover it. Credit worthiness is one of the factors affecting the rate of interest obtainable about which I shall now comment.

Interest is a subject which people do not seem to understand. It is true that many esoteric volumes have been written concerning it and great arguments have taken place about its exact form and function. In its simplest phase it is simply a payment for money borrowed. This is so, whether the borrower be an individual, a corporation, or a government. This interest may be payable in many ways. I am not now speaking about mortgages. It may be deducted at the beginning from the principal amount advanced. It may be payable by the month, quarter, half year, or annually. It may be compounded and if interest gets in arrears there may be interest on interest. If it is not paid, there are always sanctions which can be brought into play to realize upon any security which may have been put up.

What determines the rate of interest? Strange as it may seem, the rates of interest are settled in the market place by the influence of many and varied conflicting forces. The rate is at a certain level because that is where the centre of balance now stands. It is not too easy to start a swing strongly in one direction or the other, because the forces are

so evenly balanced. However, there are movements from time to time. Just recently bond interest rates eased perceptively on the news of the Russian wheat deal. The feeling was that this transaction would generate enough foreign exchange so that it would not be necessary for interest rates to rise to attract foreign capital to this country. And because of that the feeling was that in the future there wouldn't be the same demand for higher rates at governmental levels. Thus, one of the influences affecting the point of balance was withdrawn and a change in rates occurred.

Mortgage interest rates are, of course, the result of the interplay caused by the demand for loans by all would-be borrowers, and the supply of money available from individuals and financial institutions. The total amounts involved run into hundreds of millions of dollars. The demand for good mortgages is extremely heavy and the bidding for them most competitive. Sometimes in the talk about not being able to get mortgage money, by builders and others, you would think this wasn't the case, but there is always money available, or there has been in the last few years, for good mortgages at current rates. The fact that the rate of mortgage interest does not vary by more than about one-quarter of one percent at any time, among different borrowers, institutional borrowers, is an indication of that competition, of which I have spoken, not of the lack of it, as some might suppose. All institutions are subject to the same pressures. If one of them hopes to get more mortgages by dropping

its interest rate by one-quarter of a percent, the others immediately follow suit. They cannot afford not to or they won't get the mortgages. On the other hand, the company lowering its rate cannot go too far because it must be able to pay a reasonable rate to its depositors or to its policyholders respectively, or it will not receive money to lend.

Actually, the basis for mortgage rates is the rate established from time to time by the market for Government of Canada bonds. This is the criterion. All other rates are adjusted according to the daily movement of Canada obligations, for example, those of municipalities, corporations and provinces; even for mortgages. If Canada bond yields firm up, then some corporate treasurer is going to decide to buy bonds instead of putting his money into mortgages. That removes one competitive pressure from the supply side of the market. Mortgage interest rates then follow along the path of least resistance, which is higher. If the mortgage interest rate ahppens to be fixed, as is the case with Central Mortgage, presently at 6¼%, money may not be available for those mortgages for periods at a time. In the last two or three years there have been a few months in each year. Government of Canada bonds are simply too attractive a competing security, when their rate rises people want them instead of being bothered with mortgages because mortgages are a bother and trouble to look after. I think there is a lot to be said for letting the Central Mortgage rate float freely in the mortgage market. We haven't any of these,

so I am just commenting generally on this point, it doesn't concern us. It will always find its own level somewhere beneath conventional rates, because of the government guarantee; and there will then be always money available and that's what builders and house owners want.

It is important for people to get over the idea that there is something improper or immoral about any particular level of interest rate. As interest rates go up, mortgages will not be so popular, and would-be borrowers would be very annoyed, but there is no reason to say that the lender is doing wrong. In Canada, our interest rates are the second lowest in the world. In even the best South American countries they would be doubled. Money now comes from the many institutions, both large and small, which are the repositories of public funds. Millions of people put small amounts of money with savings organizations of all kinds, so that hundreds of thousands of other people can borrow money. We are only the intermediaries who handle this money, extracting a small fee for management and for the shareholders who put up the capital in the first place. Of course, remember that income taxes do take half the margin of profit.

We do not like to raise interest rates to borrowers. This may surprise you. Contrary to opinion, higher interest rates are not as profitable as lower rates all around. That is what we pay as well as what we lend at. If we have to pay more in order to get money, we have to charge more to the person who

borrows it from us. It is as simple as that. You will recall that a little over a year ago Government of Canada bonds dropped and the yield went up. For a while we were paying 6% on our Guaranteed Investment Certificates because of the fact, you remember, Government Short Term Rates went to over 6% in September of '62. We naturally had to charge 7½% and 7-3/4% for loans. Even at that our margin narrowed because we did not want to charge as high interest rates for our mortgage loans as we should have done in order to maintain our spread. We just wouldn't go to 8% for a first mortgage loan and we hate to refuse loans, so we just bore the brunt and accepted a narrower spread. But they are not as profitable as, for instance, you can borrow at 4% and lend at 6. That's a much better way for us to do better for the people who want the money, but not as good for the people who are saving the money. This year, when Government of Canada bond yields dropped, all the institutions were able to obtain money more cheaply and, therefore, they did not have to levy as high a rate on mortgages. Also, Canada bonds were not as attractive as a competing investment, and there were tremendous sums available for mortgage loans. And, I may say, there still are.

In addition to the supply of money, the value of the security and the assurance to the lender that he will get his money back are most important factors in setting the interest rate. If a person is not creditworthy, then very few lenders will want to make the loan, even though the interest rate offered may

appear to be attractive. And also the security may seem reasonable. The attitude of the courts and the provincial government is important. If there is any doubt about the creditor, in a certain area, not being able to enforce his rights, then the supply of mortgage money available will be greatly reduced. This, in turn, increases the interest rate and makes it more difficult to find mortgage funds. It is most important for the free flow of credit to the greatest number of citizens that there be no doubt about the right of any lender to realize on his security when a debtor goes into default.

As I mentioned earlier, credit is becoming easier and getting more careless. It would not take much of a change in basic conditions to cause a lot of default of payments and a substantial diminution of the values of security. In fact a lot of people are finding that right now their homes, the values of their homes, older ones especially. When that happens it will be found that the vast majority of creditors will have every sympathy for mortgagors endeavouring to meet their commitments. There will be some who will try to avoid their responsibilities, and foreclosures will be the result. The temptation should be resisted by those in the legislature to set up preferential treatment for the small percentage which gets into trouble. By interfering with the rights of creditors, credit will dry up and become more expensive for the far larger percentage who exercise the necessary effort and diligence to pay their way. May I remind you again that the management of financial institutions

is simply lending out to some members of the public money which they have received from other members of the public. These funds must be kept safe and available whenever required. These thrifty savers represent an important segment of our economy and that is being realized more and more these days when we are asking, "Where is the capital we need to own our own investments in this country?" So that the right of these savers to a return of their money under any conditions must not be prejudiced.

Having made these extensive general comments on credit and interest, I shall now quite briefly give you some idea of the lending policy followed by this company. Interest rates that we pay to the public are set from time to time by the Board of Directors. These are usually based on the financial atmosphere, short term yields of Canada bonds, interest of Canada Savings Bonds, what is being paid by banks and credit unions, and, of course, what is being paid by any competitors, and there are lots of them. We feel we should get a spread of 2¼% above our Guaranteed Investment Certificate rate in setting the rate we charge on mortgages -- that's just a rule of thumb. Usually this ends up with our prime rate being about 2% above our highest G.I.C. rate. Of course, you may say, "What about your deposits which bear less interest or on which you give less interest to the public, 4% instead of 5¼, well, our deposits have to have a great many bonds backing them up for liquidity purposes and on these bonds we may get about 5%, a spread of much less, only

about ¼%. In fact government bonds compete with our own Certificates, but we have to have them for purposes of liquidity. Of course, depending on conditions, our competition can force us to shade these rates if there is a lot of money available, as there is now. There is the greatest difficulty in putting out rates of proper returns to institutions. I know that you are not concerned with that, but I mention it to you because it is a fact you may not often hear.

Our general commercial and industrial rates are probably another quarter to half percent higher than home owners' rates. With such mortgages, we try not to lend on as high a percentage of valuation and to have the mortgage paid off over a shorter amortization period. The mortgage will likely become due in five years, but the amortization period may be twelve to fifteen years. Interest rates, of course, are a little lower for the prime borrowers, that is, the Triple-A, the big well financed companies, but not otherwise. Because the security offered by a commercial or industrial loan is not as easily realizable in case of difficulty. You can always sell or rent a house, even if at a very small rent, but you cannot always sell or rent a factory or store. There were many years, not too long ago, when many of them were standing vacant, so we have to try to keep this in mind.

We have always tried to take a very flexible approach to an application for a mortgage loan. We do not like to have to say, "no". We will, instead, try to quote terms which adequately represent the various

factors of creditworthiness, risk, and cost of money. For instance, just as sometimes people can't qualify for the best rate on insurance policies because of health, yet they can get insurance by being rated and paying a little higher premium. Well, we can try and do the same things for loans that aren't quite as good, so that people, instead of being turned down and having to go to sources for money which may charge them too much, we will try and charge a little bit more and take into account these various factors. I must admit, however, that our Board of Directors does look with disfavour on most applications in the following categories: motels, hotels, summer resorts, restaurants, summer cottages and poultry farms. These are cases of special purpose buildings which are not readily liquidated in case of default. In addition, it takes a high degree of skill to operate the type of business mentioned. The value of the security depends too much on the personal element rather than on the basic buildings. The Board also does not like to take the following categories, but has done so occasionally: garages, bowling alleys, apartment buildings. The latter, that is, apartment buildings, is one of our own peculiarities, because they are, in our experience in the past, a favorite with many other institutions. We may get over it but not during the present period of overbuilding.

You may be interested in other factors influencing the rates of interest which we charge. Our prime rate is for first class new residential loans in

a built up area with a good demand for homes. That's where we like to lend and everybody else like to lend, in that category. As the age of the house increases, the interest rate increases from a quarter to a half of one percent. If the type of house is less desirable, such as a frame or insul brick, the rate would be one-quarter percent higher. If the location is in an area where it might not be readily saleable, the rate is affected. The type of construction, the condition of the security, as well as the amount of the loan in relation to the value, are other factors which must be considered. All told, however, these factors probably represent a swing of only half to three-quarters of a percent for the best to the worst. This is hardly a significant item, in comparison with the availability, or otherwise, of the money.

In our commercial loans, shopping centres, stores, etc. the location and construction and age of the building are all important. However, probably the main factor is the creditworthiness of the person occupying the building, whether the owner or the tenant. If there is a tenant on a long-term lease, we get the additional protection of the tenant's ability to pay as well as that of the owner. The net return on the property and the length of the lease will also affect the length of loan and the interest rate charged.

All of these factors affect an industrial loan as well. In addition, importance is attached to the history of the area with regard to vacancies, zoning requirements and the attitude of the municipality.

The location, too, has to be analyzed more carefully; as well as such factors as age of the building, availability of transportation facilities and parking, type of construction, etc. In an industrial loan the covenant of the owner of the building is more important, because it would probably be harder to realize on the security in case of default. If this company defaults it is almost sure that a whole lot of others will be defaulting in times of a recession. So you can do nothing with the factory. It is comforting to have a mortgagor who appears financially able to pay off the loan.

In recent years when good loans have been harder and harder to find, we have had to look further and further afield. Three or four years ago we went into development loans, otherwise called temporary or interim financing. This is a situation where a permanent first mortgage has probably been arranged from an insurance company at a favourable rate, but is not available until the building is fully completed. In this case the borrower wishes, in most cases, to get money to help him build. Sometimes he can get it from a bank, but other times he cannot. He may be fully borrowed, for instance. In this field we also compete with a lot of the finance companies. We agree to put up the money while construction is proceeding. The advances are made on the land and then on the building in different stages of progress. This may go on for six to eighteen months. The interest rate charged for this type of loan is currently ten to twelve percent. The borrowers are experienced and knowledgeable

developers. They say one of them wouldn't pay a quarter of one percent more to his brother, if he had the money to lend, if he could get it cheaper elsewhere. The rate is justified because of the risk involved in possibly having to take over a half finished building and complete it. This has happened to us a couple of times. We are working our way out of the situation satisfactorily, but let no one say that the interest rate is not warranted by the risk involved. Of course we limit the amount of money we put into this type of thing because it is risky. We also have to think of our own depositors.

In addition, we have made short term mortgage money available for development and improvement of raw land. We cannot lend on unimproved land, but we can lend money for the installation of services to subdivisions for the purpose of making the improvements. We try to keep these loans down to forty or fifty percent of the final value. No money will be advanced until the plan is registered. Thereafter we will make advances as justified by the installation of the services. These mortgages are ordinarily from six months to two years; subject, of course, to renewal if everything is going well. The usual arrangement is that discharges can be picked up by the subdivider for a certain sum per lot as each is sold. This sum covers interest up to date and a certain amount on account of principal. We try to make sure that all of the loan is repaid in full by the time 90% of the lots are sold. The interest rates here are comparable to those charged

for development loans.

One other type of loan on which we have pioneered may be of interest to you. You have heard how hard it is to get larger mortgages on older homes. The financing of them has been one of the problems in the province. It is in this area of second and third mortgages on the older home that some of the unscrupulous lenders have been operating. We have made arrangements to meet this requirement for larger mortgages on older homes by an agreement with another company so that we could advance up to 80% of the value at 8% interest.

British Mortgage & Trust entered into a contract with Granite Investment & Development Limited, a reputable second mortgage company in London -- only two or three years old -- to put up the money in one combined mortgage. The borrower makes only one payment to us. We advance 2/3rds of the value and Granite the other 13-1/3%. This is exactly one-fifth of what we put up and between us we can advance 80% of the value. In this way, loans on older homes and even stores are made up to $25,000, with about twenty years to pay, if required. The mortgages are drawn for ten year terms. At the end of that time they are renewable but it is quite likely that the borrower will then be able to obtain a conventional loan at a lower rate of interest. There is no age limit on the properties taken as security, provided that they are well maintained.

The only charges which the borrower will have to pay for a loan of this sort in addition to the interest are the modest inspection fee and the

regular legal costs for certifying the title.

You have heard a great deal about mortgages over the past few weeks. I hope I have been able to give you information on some new facets of this important industry. Let me assure you that we at British Mortgage & Trust are trying to meet a need wherever we can see it. It is only by so doing that we can justify our existence and at the same time make a profit for our shareholders. Nevertheless, while thus engaged, we are always constrained to bear in mind that our very first responsibility is to the people who have placed their money with us in trust. We must conduct ourselves in all our undertakings not only with imagination and energy but also with prudence and caution, so that we will not fail those who have entrusted their savings to our keeping. Thank you.

THE CHAIRMAN: Mr. Sedgwick, have you got any questions?

MR. SEDGWICK: Mr. Gregory, most of the questions that occurred to me early in your brief, you got around to answering before you finished. There is one question that I am sure the members of the Committee will ask you, if I dont. On page 3 I notice that you say your mortgages are drawn for a period of five years time and then renewable on whatever may be the prevailing rate at the time. Do your mortgages amortize themselves over any period or is there involved a balloon at the end of the five years?

MR. GREGORY: Well, with our mortgages there is -- you can call it a balloon, if you wish --

there is money unpaid at the end --

MR. SEDGWICK: I don't use it in a derogatory sense --

MR. GREGORY: I know, but it's used with second mortgages, and it's most important not to have it at the end of the mortgages. With first mortgages it doesn't matter so much because your first mortgage is only 2/3rds when you start. During the period of five years, even though the payments are based on a 20 year pay-out, so you don't get too much money paid off, you do get something paid off at the end of five years, so that it is obviously easier to mortgage your property at the end of the five years than it was at the beginning. And you can usually get more favourable terms, unless interest rates generally have gone up and so, if the mortgagee or the institution you are with now doesn't want to lend it to you,you can get it from other people. I must admit there is a great competition for these -- a lot of them going so far as to keep track in Registry Offices when mortgages come up for renewal so that they can go and try and get the business of renewing them. Mortgages get better as they get older from the point of view of the investor, first mortgages.

MR. SEDGWICK: Yes, so that there isn't a problem --

MR. GREGORY: There is no problem of renewal.

MR. SEDGWICK: So that the borrower is not faced with a sort of put up or shut up situation?

MR. GREGORY: No. With the second mortgage situation it is quite different.

MR. SEDGWICK: I guess so. Yes, yes. Then, Mr. Gregory, does your company pay a commission to agents who may bring them acceptable mortgages?

MR. GREGORY: We did it up to about five or six years ago. And then money got so tight that I stopped it. We paid a commission to get money from people who bring us investments, like our Guaranteed Investment Certificates, we pay 1% for a five year term. And we have stopped paying on getting mortgages, but just recently -- as I say, things are getting so competitive -- in certain areas where we haven't branches, we have offered a commission to certain selected agents, so our policy is flexible on that.

MR. SEDGWICK: Yes. That would be at 1%?

MR. GREGORY: Yes.

MR. SEDGWICK: You pay that yourselves, you don't charge it to the borrower?

MR. GREGORY: No, no, that's something we pay for getting it. I think most institutions used to pay that rate.

MR. SEDGWICK: And I see that on page 8, the second paragraph, you say, "In Canada, our interest rates are the second lowest in the world". Is the United States the lowest?

MR. GREGORY: Yes. You know, all their rates are probably 1% below ours generally. We are spoiled in this country, if I can use that term, by

[illegible]

interest rates. You get used to the rates that we think are high. Then you go somewhere else and find that we are very fortunate. You run into 12, 15% up to 20 on first mortgages and bank loans in many countries where there isn't capital. The importance of capital to borrowers is seen in this connection, the rates are kept lower where there is a capital market.

MR. SEDGWICK: Do you have any statistics or can you give us an estimate as to how many of your mortgages are home loans, over the past ten years?

MR. GREGORY: Well, over the past ten years we have foreclosed a half dozen, I suppose, but I don't think we have had any loss yet. We may even still have a profit despite it.

MR. SEDGWICK: During the 30's and 40's (rest inaudible)

MR. GREGORY: Yes, there is no loss at present. We have some still in hand, but we have had to sell and, of course, when you still have your values above the mortgages people get into difficulties. Not only we offer to sell but they can require sale and so the property will be sold and the mortgagee will be paid off, the first mortgagee and maybe the second will get part or all of his, and anything left goes to the owner. During the 30's, to get back to there, of course we, in common with so many other companies, had a great many mortgages on our books for years and years, homes that --

MR. SEDGWICK: You would have to rent them and do your best to carry them until they could

[illegible]

dispose of them?

MR. GREGORY: That was the big problem in those days.

MR. SEDGWICK: Mr. Gregory, it was said to this Committee on Monday, that some insurance companies will now refuse to insure older houses in the City, blocks of older houses, with the result that as the owner could not get insurance, he couldn't borrow. Do you know anything about that situation?

MR. GREGORY: You are referring to fire insurance companies --

MR. SEDGWICK: Yes.

MR. GREGORY: refusing to insure them? Well, I don't know that situation, but there is no doubt that it might be a problem. As far as we are concerned we have a blanket insurance coverage that covers everything that we own. I'm sorry -- it covers every property on which we have a mortgage and insures us against loss by fire to us, not to the owner, but to us, in any of these cases. We could possibly undertake such a thing.

MR. SEDGWICK: I see, so that even though the company might not insure the owner, you will be covered by your blanket policy -- and, therefore, could lend?

MR. GREGORY: We would have to check with the insurance company, of course. But it's possible that we could lend, and if we could we would be delighted to do so.

MR. SEDGWICK: Those are the only

THE CHAIRMAN: Mr. Irwin, do you have any questions?

MR. IRWIN: Yes, Mr. Chairman, perhaps more for information than questioning. On page 2 in about the middle of the page you refer to the scarcity of good mortgages and on page 7 you refer to the demand for good mortgages. I wonder if you would clarify whether you are speaking in terms of the borrower or the lender?

MR. GREGORY: I am speaking, Mr. Irwin, in terms of the lender here. The scarcity of good mortgages for us to lend money on. The two sentences mean the same thing, slightly differently phrased. In other words, we have half a million dollars right now in short term securities in which I would be delighted to put out on reasonably good mortgages.

MR. IRWIN: But at the present time the availability of capital for lending purposes is greater than the demand?

MR. GREGORY: That is correct. And I think most companies are in the same position.

MR. IRWIN: I see. This is having an effect on the rate of interest to lower levels, is that right?

MR. GREGORY: That's true.

MR.IRWIN: That's the case now?

MR. GREGORY: If, for instance, if government bonds dropped at the present time, you would find quite a drop, I would think, in mortgage rates. Unfortunately, government bonds can't drop too much

because of the international exchange situation and you are in to something beyond their control really that is setting the basic interest rate at the present time. But as far as mortgage rates are concerned, the supply of money pressure is on shoving them down, but then if it gets below a certain point, say 6-3/4, treasurers of these institutions will prefer to buy government bonds at even three-quarters of a point less because there is no problem. You have to figure about half of 1% cost for administration of the mortgage, whereas for a bond there isn't any administration cost. You just get it and put it on your books -- millions of dollars at a time -- just like that, you see.

MR. IRWIN: Is this particular economic situation a short term one, or do you think it is a long term one?

MR. GREGORY: Well, that's a very nice point. If we knew the answer to that one it would be valuable. Justpurely speculating, from my own personal opinion, I think money might tighten slightly over the next spring. I think there may be good demand, in other words, for funds. But I am inclined to think then that we may run into a period of easier conditions, long term, intermediate term, over the next two or three years. I think we might well do that.

MR. IRWIN: Thanks very much. There are just one or two other points. Is there any accounting for the fact that, as you mention, generally speaking, mortgage interest rates are 1% lower in the United States than here?

MR. GREGORY: Well, just the tremendous amount of money available, and a sophisticated capital market that has been built up over the years. You see here, as you will recall, probably read in the papers, we have to -- there is about three quarters of a billion dollars flowing into this country each year in capital that we haven't got ourselves, so it will only come from the United States and other older countries to us if the rates are attractive. If those rates, if that money wasn't flowing in here, as there is some question before the country at the moment about some of this foreign capital, if that doesn't come in here the only result can be to drive up our interest rates. The reason the American rates are lower is that supply of money they have.

MR. IRWIN: This, of course, would be true. I just wondered if there are any better mechanics in the money market in the United States who bring lenders and borrowers together, than here, if it would have an effect on that differential?

MR. GREGORY: When you say lenders and borrowers are you speaking of mortgage lenders and borrowers or --

MR. IRWIN: Generally the supply of credit and those who wish it.

MR. GREGORY: I don't think so. I think they use quite similar methods, I think our government market here is every bit as technically proficient as in the United States, there are more people involved in it and they raise the money extremely

well. In the mortgage field they have their savings and loan institutions over there which have brought a lot of money for mortgages in the last few years. They have grown very quickly. But here you have the comparable thing in our mortgage companies, of which there are only three or four big ones, and the trust companies who are going out to get public money, offering good return on interest and it's flowing in in such good amount or volume that we have it available for these mortgages. And I don't think you need any more money, it comes in very quickly and goes out very quickly and easily.

MR. IRWIN: Thank you, Mr. Gregory. One other point -- just asking for a comment in regard to page 10, where you suggest it would be impolitic to interfere with the free play of the market in relation to the setting of interest rates and I certainly think that you have given a very clear exposition of the way that marketplace works in regard to conventional institutions. However, the matters which have come before this Committee seem to deal with the areas of shorter term lending, particularly in second mortgages, in which you are more or less including yourself. It seems to be in these areas where the free play of the market as you describe, doesn't seem to work very well. And it is because of that perhaps that some thought has to be given to either improving the mechanics of the market for short term deals or regulating, or providing regulations, that would at least reduce the abuses. Have you any comment on that?

MR. GREGORY: Well, Mr. Chairman and Mr. Gregory, we are not involved in this so any comment I make is purely academic, but I think the abuses appear to be worse than they are. All I know about them is what I have read in following your proceedings as reported, and I don't know the details of some of these, where extremely high rates were charged, why they didn't go to reputable companies and to other people who have money available. I think the first step has been made through the Mortgage Brokers Act bringing these intermediaries under control, but there are probably millions and millions of dollars going out in second mortgages and the last five to eight years there have been developing companies in these fields who are now becoming country-wide. And they are rapidly improving the situation. For instance, Coronation Credit, a Vancouver company, that is now down here; this Granite Investment, which I mentioned as meeting the same need in London, has about two million out. But they are doing it at a straight rate of about 12 to 14%, depending on again the security, the creditworthiness and the amount. They are giving, amortized over ten years, sometimes up to twenty, with no balloon payment, no bonus, straight second mortgage up to 80% of the value and these, as I say, are reputable people meeting a real need and you are getting the sales finance companies doing the same thing because the banks going into consumer credit has left them with a great deal of money, so they have been seeking wider markets and they are going into this second mortgage

market. Just millions of dollars are now available for second mortgages. If the public knows where to go, and they have been a little slow to get to them, I think, but I think this whole situation is going to clarify itself and I think any interference with that is just going to make them say, "Oh, the heck with it". No creditor or no person with money wants to get into a regulated or restricted market because they don't know what's going to happen. I don't think there is anything more sensitive to a climate, to an atmosphere, than is capital. If capital thinks the climate is getting cold and unfriendly, it goes somewhere else very quickly. And that's true all over the world. And I would suggest, this is only my own feelings, I would hesitate to get too involved in restricting that second mortgage market just for the sake of what 1% or a fraction of 1% of the people who might have gotten into trouble. Maybe it was their own fault, but if you do worry about that fraction of a percent you might cause higher rates and trouble for hundreds of thousands of people who now have the opportunity of getting reasonable loans.

MR. IRWIN: In other words you are suggesting that any efforts in regard to this field would be in improving the mechanics of the market?

MR. GREGORY: I think so. And I think the publicity you have given it has been a great thing so that people know where to go. As I have noticed, a lot of these people are not knowledgeable -- they may be new Canadians, they may be people who got bad

advice one way or another and I have seen a lot of good advice, for instance, the articles written by Betty Lee contain a lot of good, sensible information and advice. It is that sort of thing that is going to help it, not by legislative restrictions.

MR. IRWIN: Thank you, Mr. Gregory.

THE CHAIRMAN: Mr. Bukator?

MR. BUKATOR: Mr. Gregory, I am very pained to read on page 15, "One other type of loan on which we have pioneered may be of interest to you", you suggest, and that is mortgages on older homes. I don't profess to know too much about too many things, but I didn't know that there was a company that took actually a bit of a risk to loan money on older homes, up to 80%. I'd like to know a little more about that. I think your company and the Granite Investment should be commended for their approach to a problem that has been here for a long time. When did you go into this -- you say that you pioneered it?

MR. GREGORY: Well, I think it was just this spring. Last week we had ads this big in the Toronto newspapers mentioning again that we are in business to get business and we would be glad to talk to you afterwards -- (laughter). I feel -- and maybe this is just because I am young and haven't been in this business -- my background was law and I have only been in this business for seven years -- but I feel that we have got to take risks and I think all of our financial institutions should take more risks. But consistent with the question of safety. You must have

reserves and other things, but I think we have got to meet these needs. Of course, the legislature itself has put restrictions on us, as has been mentioned, we have 2/3rds as our limit now, even with a good lease against a property that we know -- we have a Dominion Store's lease on a building on which we have a first mortgage -- we can still only go to 2/3rds, although that thing is as good as gold, you see. So that these restrictions prevent us from doing as much as we would like to do. But there is an attitude there that is necessary to --

MR. BUKATOR: You make mention of the fact in your brief here too, that the two -- actually there are two mortgages but only one payment blended into a percent figure of interest, but the first mortgage naturally would take the preferential one, and the lesser amount --

MR. GREGORY: We get the preference, the first mortgage -- in our agreement between us we have got the first mortgage position which you have to take at a fraction over 7%, they get almost the usual rate of 11 or 12 because they put up one-fifth of what we do, you see. It works our satisfactorily to each person.

MR. BUKATOR: Mr. Chairman, while I have talked about this for quite some time, this is a field which we should explore further simply because a man who has either inherited an old home or come by it many years ago, and has not exercised his credit but would like to sell that to a neighbour where he

can get into a better subdivision or a newer one with a bigger house. This would help the economy of the country. And I do believe that you are on the right track. I wanted to ask you what your experience has been so far, but you only started this spring --

MR. GREGORY: Well, we can tell you that our experience has been excellent. Have there been any defaults at all?

A SPEAKER: No, none at all.

MR. GREGORY: No defaults. But the amazing thing, of course, to us is the type of home we are getting. We have maybe -- oh, a quarter maybe -- of the older homes, but we are getting so many of the new homes from young people who are on their way up but haven't got the down payment, can only put up about 20%, but the interest doesn't mean too much for them, they have got money, they own a nice home and they need the 80% mortgages. And they can't take advantage of the N.H.A. under the circumstances.

MR. BUKATOR: If I could live that long with the cold that I've had for the last three or four days (laughter) I would take you up on your proposition. Although we have other similar institutions that do very much the same type of thing that you do, but it is a good thing to bring this out into the open. Because here is a comparison by way of a reputable company, not only this one but many others, and these hide binders who have been taking the public simply because the public didn't know, they didn't know where to go. That's all I have to say.

THE CHAIRMAN: Mr. MacDonald?

MR. MacDONALD: Mr. Chairman, I just wanted to say that there are few briefs that have come before this Committee that I appreciate more than this. I think many of the institutional briefs that have come before this Committee at arms length. We've got 1½ page, double-spaced replies to the Commission because they are neither interested in what we are doing nor were they really anxious to divulge the background thinking and the formation of the policies. The kind of change in this substance of presentation I think is going to be extremely useful to the Committee. There are a few, just small points, along the way -- really just flea bites -- that I was curious about.

On page 5, in your discussion of creditworthiness, there is one aspect of this that has always puzzled me. As I see it there is one grand exception to this proposition of creditworthiness and that is the apparent ability of people to continue to get credit when they unload their original obligations through bankruptcy. Now this may be corporate rather than individual --

MR. GREGORY: No, they both do.

MR. MacDONALD: They both do it, but am I correct in the general proposition that there is a surprising number or percentage of cases of people who unload their obligations perhaps deliberately, through bankruptcy, and then seem to be able to get credit to go on another merry fling until the next bankruptcy?

MR. GREGORY: Well, Mr. Chairman, in

answer to that I can only say it is a bit beyond my knowledge, but if we know somebody has been bankrupt, I doubt if they will get a loan from us, but on your general problem, I could chat with you about that for a long time and what to do to tighten up the Bankruptcy Act, but that isn't in the ken of this discussion.

MR. MacDONALD: On page 8 -- this is something you commented on earlier in a comment to Mr. Irwin -- your suggestion that interest rates, higher interest rates, or the particular level of interest rates, there is nothing immoral or improper about this. This is a worry.

MR. GREGORY: I thought you would be interested in that comment.

MR. MacDONALD: Because your statement, within the context of your operation, is understandable and defensible, but in face of the problem that really provoked the establishment of this Committee, I would hope that even you would agree that that isn't the case.

MR. GREGORY: I was sorry to see that the Unconscionable Transactions Act was held ultra vires of the Province. I thought that was quite a useful statute where somebody could look it over and decide on the facts of that case, whether it was --

MR. MacDONALD: In fact, pursuing the question that Mr. Irwin asked -- the problem, as I see it, in the kind of picture that we have had sketched out in this Committee, is that you have shyster operators at any level from 12% to 30. And what is even more

discouraging is you have what are apparently conventional, respectable operators at every level up to 30, -- 24, 27, 30% -- on the immoral level or moral level, I find it just a little difficult to reconcile in my mind my perhaps old-fashioned approaches to the proposition that a man can come in and say, "We are operating at 24 or 27%" -- it's open, everybody knows it, and yet that there should be a field for this kind of operation on a regular basis.

MR. GREGORY: Well, it shows that money has a value. One instance I will mention that always struck me as rather interesting and I never did figure out the interest rate, but there used to be a pool parlor owner whom I knew, who cashed paycheques for the chaps after work, and he would take the odd cents in the cheque -- this was on Friday night -- and give them even dollars, you see. So he might get up to 95¢ for cashing a paycheque for $50.00 until Monday, when he went to the bank. And this went on for years and years and that was the regular way to get your cheque cashed after the banks and trust companies had closed. Now I would hate to figure out what those interest rates were but they did it, they got a need supplied, they weren't concerned. It was a profitable business.

MR. MacDONALD: Maybe this isn't the place to pursue this, but when we have companies that are now emerging in the field -- we have two or three new companies no more than two years of age -- whose rates were from 15 to 18%, their claim was we are

obviously meeting a need, picking up the people who are bailing out from the 24 to 27% and have gotten in beyond their depth. Now, I'm raising this because of your general contention that it is wise not to make regulations --

MR. GREGORY: The thing that is going to lower rates, Mr. MacDonald, is letting the marketplace take effect and take hold. It's coming. We may feel it is too slow, maybe I do too, but it's coming down. And I think if you start to regulate it -- under the Small Loans Act, for instance, about five or six years ago, at Ottawa, they said they would -- you only had to charge ½ of 1% a month over $1500 -- was it, between 12 and $1500 -- between $1000 and $1500. Well, the result was that nobody makes loans in that field. You see, there you are -- do you want the money or don't you?

MR. MacDONALD: That's why Mr. Belanger suggests you raise the limit is meaningless if you don't do something about that half a percent. There is no money being loaned between a thousand and --

MR. GREGORY: No. It's far more important, I think, to encourage people to go into the field of lending money to these people, teaching people to pay their debts, that they should pay them, and you will get the money and you will get it just as quickly as possible because they are paying those rates because the money obviously isn't available from somebody else. Why isn't it? There must be too much risk.

MR. MacDONALD: I can think of one

company that came in here and I am curious to know how the devil they operated, to put it very bluntly, at a regular 24 to 27% interest rate?

MR. GREGORY: That's common in the States all over, even with their lower rates than ours, those rates.

MR. BELANGER: That's common, you say, over there?

MR. GREGORY: On Finance Companies, yes.

MR. BELANGER: Well, I'm not talking about Finance Companies, this is the point. This isn't a finance company.

MR. GREGORY: This is what, a second mortgage company?

MR. SEDGWICK: I've forgotten.

MRS. DELL: Wasn't that Superior Discount?

MR. SEDGWICK: They handle second mortgages.

MR. GREGORY: Were they large amounts or relatively small amounts, small payments to keep track of and all that sort of thing? You see your administration of a thing like that will take a lot of percentage.

MR. MacDONALD: Well, one other again small question. I am very curious as to why poultry farms get on your list of discrimination. Is this the product of what you might call more local conditions that you are dealing with because I can think of other kinds of farming that I think are just as risky as

poultry farming?

MR. GREGORY: I think probably it is the result of experience and also the result again of a special purpose building. Some farmer comes along and decides to go into poultry. Well, up to that time his farm has been sound, it has a value that you know, everybody can establish it within $500 or $1000 -- say it's a $15,000 farm -- you can lend him up to $8,000 or $10,000. Then he builds quite an elaborate chicken house on it, maybe as much as the value of the farm. It's not uncommon -- another $15,000 -- he might have to borrow most of that. Well, that is a different proposition. The price of eggs changes next year and he makes no money and in a year or two he is in default and say he gives it up and gets off. What do you get out of that farm? You can still only get about what the farm was worth in the first place.

MR. MacDONALD: Well again, I don't want to pursue this, but I think I could make a pretty strong case of many other branches of farming that could be just as precarious, whose reliance on a market that is up one year and down another.

MR. GREGORY: Yes, but the land basically, you see, may keep its value. That's the point. We have to look finally to this security which we have taken. But you are quite right. If it is the type of business where the price goes up and down like that you may not have any real basic value to that farm and you will find that people won't want to lend money on it.

MR. MacDONALD: I was just wondering if

the poultry business was that rocky out in the Stratford area?

MR. GREGORY: Oh, well, we don't confine ourselves to the Stratford area. We have some very good poultry dealers, but it's just a matter of experience.

MR. BUKATOR: Mr. Chairman, I would ask Mr. MacDonald, would you touch on commercial loans?

MR. GREGORY: We haven't talked about commercial loans.

MR. BUKATOR: May I explore that for a moment? When you come into an area and have money for a mortgage for a commercial unit, you take into consideration, naturally, the material of the structure, what it's built of, but more so the leases, I imagine?

MR. GREGORY: Leases are the very best security.

MR. BUKATOR: This is exactly what you look for. The building may sit on one corner and be an elaborate thing, but because they don't have the tenants to do the business the risk is that much greater and the amount you would lend them would be, I imagine, less. Is that the way you determine it?

MR. GREGORY: A building bringing in no return, Mr. Chairman and Mr. Bukator, is not worth very much. You pay taxes on it and you maintain it and so on and nothing comes back. But if you have a building which is leased and you have reputable people, or should I say financially responsible people in that building, and you know that you are going to get your

rent month after month, you have that return, that building can take on an entirely different value, an added value because of the lease. And we will recognize that in valuing it. A well leased commercial building is as fine a security as you can get.

MR. BELANGER: On page 4 you mention the fact that you concentrate on older homes and commercial and industrial properties. In all municipalities today where it's a rat race trying to attract industry to their municipalities and you will find a municipality will set aside a certain tract of land, you see, and they call that an industrial area. Do you find that municipalities themselves or investment commissions or things like that -- that approach used for loans, let's say, for industry?

MR. GREGORY: Well, Mr. Chairman and Mr. Belanger, so far it's been local. We do this in Stratford. We have done it in some of the other communities in which we have branches like Newmarket and Brampton and we do it here in Toronto. And we do work with them, we are delighted to do that, but it's again -- coming back to Mr. Bukator's question -- about the tenancy. We want to know that this industrial building is going to be occupied and is going to have somebody in it and we don't advance all our funds if it's a speculative industrial building until leases are arranged because, as I said, an empty building, an empty industrial building has little value. But if somebody is going to occupy it, we are delighted to talk terms.

MR. BELANGER: I was rather surprised in the statement -- you said at the present time you have more money actually than you can invest and still you say the the demand for good mortgages is extremely heavy and the bidding for them most competitive --

MR. GREGORY: Well, Mr. Irwin brought this point up. Maybe I didn't phrase it properly. The demand from institutions for these mortgages is heavy because all of the institutions are in the same position as we are, they have money available and we want the mortgage security as an investment. The demand by borrowers for mortgages is not as high, not as heavy right now as it has been in the first part of the year.

MR. BELANGER: Then on page 14 you mention various things that you look into when you are making a loan. I was rather surprised that you did not mention anything there about taxation -- don't you take that into consideration, the loan taxation?

MR. GREGORY: Not too much as a mortgagee. If we felt it was -- I did, I think, mention the attitude of the municipality -- it would come generally under that. If we felt the rates were so high they were confiscatory or they prejudiced the company which was involved, then of course we wouldn't go in with them, but usually municipal industrial tax rates are quite reasonable. Quite within the competence of the company to pay them -- they write them off as an expense.

MR. BELANGER: (Inaudible)

MR. GREGORY: I was a member for 11 years.

MR. BELANGER: Thank you. That's all.

THE CHAIRMAN: Mr. Sandercock, do you have any questions? Mr. Reilly?

MR. REILLY: More a point for clarification, Mr. Chairman. Mr. Gregory indicated that this 66% was a restriction by the legislature, is this true? Is this by the Ontario legislature? This isn't a federal restriction, it's a provincial restriction is it, Mr. Sedgwick?

MR. SEDGWICK: It's an Ontario restriction.

MR. GREGORY: Mr. Chairman, last year at the request of the Department, this restriction which had been in a federal Act was incorporated in the Act both for insurance companies and trust and mortgage companies in Ontario by the legislature here and so we are now limited to that extent.

MR. REILLY: Thanks, Mr. Gregory. I sense a little pessimism in your brief -- overbuilding and reaching the top of a boom or a cycle. Is this the attitude of the company generally?

MR. GREGORY: Well, Mr. Chairman, as I said, we take a very flexible approach and we try to lend money whenever we can and wherever we can. But I can't help occasionally being realistic about this thing and especially if you read very widely, as I do in both American and Canadian magazines, business magazines and financial, you will see outcroppings of

difficulties in the financing of real estate and there is just straws in the wind, but a man who is in my position, as so many of them are, of lending public funds, has to watch those things most carefully to know when a hurricane is going to blow up.

MR. REILLY: Well, Mr. Gregory, the members of this Committee are particularly interested, from the standpoint of finance charges and interest rates and so on. From your brief, I understand that you are technically not in the second mortgage field at all. Actually what you do is lend up to 80% along with this 66-2/3rds of your own and --

MR. GREGORY: We arrange it, as you might say.

MR. REILLY: -- and with the Granite Company for the balance. So you indicate that the highest rate of interest that you actually charge is 10 to 12% on interim financing?

MR. GREGORY: At the moment those are the rates. We did go as high, about two years ago, I think it was 15%. But that money we loan to people who are known as the smartest developers in the game and they wouldn't come to us up in Stratford if they could have got it for any less anywhere else.

MR. REILLY: They knew what they were paying under the circumstances. Actually, as far as your rate of interest on 80% value, would be 8%?

MR. GREGORY: This is the rate the person pays, the borrower pays. We get out of it just

a fraction over 7 and the balance going to the second mortgage company.

MR. REILLY: The situation now means that there are some people who don't have 20% equity or don't have perhaps the 80% value there. How are we going to look after them and what would be a fair rate of interest under those circumstances for the people who don't have this 20% equity?

MR. GREGORY: Well, that's almost a loaded question (laughter) -- but I would be glad to try and help you out if I can. First of all I think -- I may be a little old-fashioned in some respects -- I think a person should rent property until they are able to make a reasonable down payment -- save their money in one of the savings institutions we have so that the money can be loaned out to others who need it until they get their 20% and then they can make the down payment. As far as a rate over that, it's going to just be what you have to pay because -- unless, of course you can build a new home now for about $500 down, winter works 500, gas and oil companies pay a second mortgage and you pay practically nothing for them but you haven't anything in them either, -- however, you can do that. But getting back to this -- if you are in that 20%, you are putting up 90% of an older home, you are taking a risk, a very great risk, unless the person has money. And from your question, they haven't got money. Because values can change and 10% change in an older home in valuation can happen over a year and then the person may be out of work, they may

[illegible]

separate from their wife, they may not care and the first thing you know you have got it on your hands and values may go down further. There is a real risk of loss and all I can say about the rate is that it is something that has to be negotiated.

MR. REILLY: Actually the company with whom you have come in contact -- Granite Investment -- did they consider going higher than 8%?

MR. GREGORY: They are not allowed to by their trustees -- they have to borrow money from the public, although they do it on larger issues and they are not allowed to -- they can't over a first mortgage lend any more so that the combined total is over 80% of the value. That's a fairly common restriction for these financial institutions.

MR. REILLY: The point I was trying to establish is the fact that the people who get hurt are those people who don't have an equity?

MR. GREGORY: Yes.

MR. REILLY: This was what I was trying to establish. You are not prepared to take a risk, and most companies are not prepared to take a risk and what we do under those situations is we chase people away to others who are prepared to take a risk and want to charge for it. I think that's basically the situation.

MR. MacDONALD: With no ceiling?

MR. REILLY: I suppose it depends upon the value, how important it is to the person, how much he is willing to pay for it, whether he thinks he is

going to lose his home under those circumstances I suppose it doesn't really make much difference to him. Actually he's not going to lose it, he is only deferring the time when he does lose it.

MR. GREGORY: Often many of them have nothing in it except the down payment or two and they don't worry too much if they have it a few years --

MR. SEDGWICK: I was going to say that. He isn't going to want too much if he can't have something less than 10% equity in it -- being aware of that, allow the course of proceedings to take over --

MR. GREGORY: Take a family in for a year, if they don't keep it maintained they'll waive out of it.

THE CHAIRMAN: Anything else, Mr. Reilly?

MR. REILLY: Thank you very much, Mr. Gregory and Mr. Chairman, that's everything.

MR. LETHERBY: I thought Mr. Gregory's brief was a very excellent one, sir, and Mr. Bukator was very glad to know that there is available a company such as yours which will make mortgage money available to these older type homes. We thought they were having difficulty to meet that need. That's all.

THE CHAIRMAN: We have Mr. Lawrence with us now. Are there any questions of a general nature you would like to ask?

MR. GREGORY: The only other thing that I will say, sir -- it may be just a plug -- in addition to the older type homes, we are making money

available out through the country, the northern part of the peninsula where money hasn't been available before. In other words, we are trying to meet this need of good, sound mortgage money financing wherever we can find it.

THE CHAIRMAN: You are not running into too much competition up there I wouldn't think.

MR. SANDERCOCK: What about (   )?

MR. GREGORY: We can't compete with the Government, Mr. Sandercock; 5% loans and the -- what's the name of the farmers' --

THE CHAIRMAN: Credit Union.

MR. GREGORY: -- corporation is pretty good.

MR. REILLY: Mr. Chairman, I wonder if Mr. Gregory would want to tell us what his objection is to lending money on apartment buildings? I know it seems to be restricted to his own company.

MR. GREGORY: Well, very briefly, Mr. Chairman, this is the result of our experience in the past depression when we had a few on our hands -- mind you we didn't lose any money on them but they caused a lot of worry over the years. Some of the older members of the Board still remember that and I must admit that our approach is getting a little different, but it takes a while.

THE CHAIRMAN: Just one question I would like to ask and that was about buildings where you are advancing money. You suggest that you are advancing money to put up certain buildings and some-

times they run into difficulty and you have to take them over. How are you protected in a case like that? You said, I think, that you don't expect to lose any money.

MR. GREGORY: Well, we of course only advance as construction progresses and we keep our advances to 50 to 60% of what we consider the value then in place. Then if we have to go in we have the money to finish them and rent them and actually salvage them by selling or leasing them, getting an income from them.

THE CHAIRMAN: While they are waiting for the mortgage money, do you advance builders money in a case of that sort?

MR. GREGORY: Yes. When there is -- usually when there is a completion mortgage, as they call it, waiting there isn't too much problem except as has happened more often recently, the builder goes bankrupt or is trying to do it on too tight a capital and does get into trouble and then there are problems.

THE CHAIRMAN: Well, I would like to underscore what some of the other members of the Committee have already said. The fact that this is a very superb brief which you have presented to us this morning, for our purposes. It is so refreshing to have someone come here who can be frank with us and who has given us a great deal of information which we haven't had up until now, in a very factual way, in a way that is very easy for the members of the Committee to understand. We do appreciate your taking time out of

your busy schedule to come here and present this brief to us this morning.

MR. GREGORY: Thank you very much, Mr. Price and gentlemen.

THE CHAIRMAN: We will take a five minute break.

---SHORT RECESS.

THE CHAIRMAN: I would ask the members of the Committee and the spectators to take your seats please.

We are going to hear from Mr. S. S. Martin, the Manager of the Personal Loan Branch of the Toronto-Dominion Bank. Mr. Martin? Mr. Martin's brief has been distributed to the members of the Committee and others and we will ask Mr. Martin to proceed with reading the brief unless he wishes to make some preliminary remarks and then following the presentation of your brief some of the members of the Committee and Mr. Sedgwick and Mr. Irwin and myself may have some questions.

Will you proceed then, Mr. Martin?

MR. MARTIN: Our bank has made this brief short. We have been more concerned, as we felt you have, with the disclosure end of this situation, as we believe that was the prime reason for the Committee.

As a very short preamble, you might say our bank entered this field in 1959, we are the third bank in the consumer credit field. As for the brief, we wish to thank the Committee for this

opportunity to outline procedures and answer questions pertaining to the operation of our Personal Instalment Loan plan. In order that the Committee may be familiar with our forms and relevant papers we are attaching a complete set of documents:-

1: <u>Personal Instalment Loan Statement and Agreement</u>

The prospective borrower is interviewed by the Branch Manager or an officer delegated by him. The application is completed in detail and if the loan is approved the Manager so indicates on the reverse side.

I might interject here that we do not centralize. All the loans are maintained at the branches. We just supervise the whole operation.

It will be noted that the Agreement shows the gross amount of the loan and under Clause 1 -- which is under the Agreement -- the Bank is authorized to deduct from the gross amount of the loan a charge in addition to the rate of interest or discount set forth in the promissory note. The Personal Instalment Loan Statement and Agreement (attached) has been completed for a hypothetical loan of $1,500.

2: <u>Personal Instalment Loan Note Form</u>

The note recites the gross amount for a net loan of $1,500. repayable in 24 monthly instalments of $69.26. The note mentions the amount received by the borrower ($1,500.) the discount (interest) at 6% on the reducing principal balance $92.97 and the charge $69.08. (See Schedule of Charges 3).

3: Schedule of Charges

Loans are payable in 6,9,12,15, etc. months -- in other words, three month periods because the borrowers perfer to have these shorter periods -- to a maximum term of up to 3 years.

4: Chattel Mortgage

A high percentage of instalment loans are secured, at least in part, by a lien against personal property, normally an automobile. The cost for the preparation of the document i.e. Affidavit of Witness, which must be taken before a notary, and the cost of registration is included in our Charge.

5: Renewal Statement

This statement must be prepared and registered between the 11th and 12th month after the date of the original Chattel Mortgage. The cost of registration is included in the Charge.

Another charge I haven't mentioned which is also included in the charge is the cost for a Credit Report which are taken very frequently.

6: Life Insurance Certificate

All our Personal Instalment Loans are life insured. In the event of the death of the borrower the balance is retired by the insurance company. The cost of life insurance is also included in the Charge.

7: Rebates

Many Personal Instalment Loans are prepaid or refinanced and in such cases the borrower is allowed full rebate on the unearned Interest as well as the

Charge. For this purpose we use a Rebate Table based on "the 78's or sum of the digits method". For example, if sample note Item (2) is prepaid on May 12th, 1964 the loan will have been on our books for 6 months and the customer is reimbursed $53.01 for Interest plus $39.33 for the Charge.

We also enclosed one leaflet and letter relating to the Plan which also indicates to the borrower what he may expect. As I say, we have made this brief short. We wanted you to see just what our forms look like, how they are prepared, what information we obtain, the disclosure to the borrower by way of just how much the service charge is, what is included in the charge -- in other words, it's an all-in charge, -- and, as I say, the insurance charge, he also is aware of that. A very important feature which Mr. Lofquist mentioned yesterday, something about the insurance. We have been in the field much shorter than Commerce and with that in mind when we went into the field we perhaps kept figures and data just for our own information. One item that is rather interesting, we think, is that the average age of the borrower at the time of death is 47 -- that's rather remarkable. It indicates that the insurance, which is paid by the Bank, is a real protection to the borrower.

As I say, this is very brief, but my main concern was to let you know just how we operate with our borrowers.

THE CHAIRMAN: Do you have any idea how

ORM 111(6) (REV. 2-63)

ERSONAL INSTALMENT
OAN STATEMENT

NAME (PLEASE PRINT) DOE, John
(SURNAME FIRST)

CUSTOMER FOR 4 YEARS

O THE TORONTO-DOMINION BANK ANYTOWN, ONTARIO.
(BRANCH)

November 12th, 1963
DATE

RESENT ADDRESS 40 Main Street OW LONG 4 years	OCCUPATION Metal Worker AGE 36 TELEPHONE NO. 342-612 ACCOUNT NO. 4329
AST PREVIOUS ADDRESS 25 Ninth St., Hamilton, Ontario.	OTHER BANK AND BRANCH (WHERE APPLICABLE) NIL

WN HOME ☒ RENTING ☐ LANDLORD'S NAME

☐ NAME OF ~~HUSBAND~~ WIFE Jane	ADDRESS	NUMBER OF DEPENDENTS
☐ NAME OF PARENT	ADDRESS	3

AME OF EMPLOYER: Metal Mouldings and Supply Com... EMPLOYED SINCE: August, 1959

PREVIOUS EMPLOYMENT RECORD	1.	Steel Company of Canada	FROM	1954	TO	1959
	2.	Bytown Metal Products	FROM	1949	TO	1954

ASSETS		LIABILITIES	
HOME—HOW REGISTERED Jointly PURCHASE PRICE 14,500. YEAR PURCHASED 1959 ARE TAXES PAID yes LOT NO. 6 PLAN NO. 238 ESTIMATED RESALE VALUE $	15,500.	MORTGAGE DUE N.H.A. 1984 $ MONTHLY PAYMENTS $ 104.98 P.I. and T. INTEREST RATE 6 %	11,500
AUTOMOBILE (YEAR) 1958 (MAKE) Chevrolet (MODEL) Bel-Air "8" $	900.	LIEN OTHER DEBTS Eatons Balance re T.V. and stove ($18.00 per month) $	300.
C.S.V. LIFE INSURANCE	175.		
OTHER ASSETS Boat and Motor	500.	$	11,800.
Furniture $2,500.		INDIRECT LIABILITY AS ENDORSER OR GUARANTOR $ Ø (GIVE PARTICULARS ON REVERSE UNDER REMARKS) SURPLUS $	5,275.
$	17,075.	$	17,075.

WAGES OR SALARY $5,200 per annum HOW PAYABLE semi-monthly OTHER INCOME Wife part time work $15.00 per week Family Allowance $15.00 per month

LIFE INSURANCE	AMOUNT OF POLICY	YEARS IN FORCE	BENEFICIARY	NET C.S.V.
	$2,000.	8	Wife	$175.

AGREEMENT

TO: THE TORONTO-DOMINION BANK (HEREIN CALLED THE BANK)

RE: $1,662.05 PERSONAL INSTALMENT LOAN BY THE BANK.

I AUTHORIZE THE TORONTO-DOMINION BANK TO OBTAIN ANY INFORMATION REQUIRED CONCERNING THIS STATEMENT AND AGREEMENT AND AGREE THAT IT SHALL REMAIN THE BANK'S PROPERTY.

I CERTIFY THAT THE ABOVE STATEMENT TRULY SHOWS ALL MY ASSETS AND LIABILITIES OF EVERY NATURE AND KIND WHATSOEVER INCLUDING INDIRECT LIABILITY AS ENDORSER OR GUARANTOR. I DECLARE THAT NEITHER MY WIFE NOR ANY OTHER PERSON HAS ANY CLAIM IN OR TO THE ASSETS SHOWN ABOVE EXCEPT AS SET OUT THEREIN AND THAT I AM THE SOLE LEGAL AND BENEFICIAL OWNER OF ALL SUCH ASSETS. EACH OF MY ASSETS IS SHOWN AT A FAIR VALUATION. I AM NOT BEING SUED OR BEING THREATENED WITH BEING SUED AND THERE ARE NO JUDGMENTS OR EXECUTIONS AGAINST ME. IF ANY PART OF THE ABOVE STATEMENT IS INCORRECT IN ANY PARTICULAR, OR IF THERE IS ANY BREACH HEREOF THEN, IN EITHER SUCH EVENT, IN ADDITION TO ALL OTHER PROVISIONS OF LAW TO WHICH I MAY BY REASON HEREOF BE SUBJECT, I HEREBY AGREE THAT ALL MY PRESENT AND FUTURE INDEBTEDNESS TO THE BANK SHALL FORTHWITH BECOME DUE AND PAYABLE WITHOUT NOTICE OR DEMAND.

I AUTHORIZE THE BANK TO CHARGE MY ACCOUNT WITH INSTALMENT PAYMENTS AS THEY MATURE.

IF SAID LOAN IS GRANTED BY THE BANK THEN IN CONSIDERATION OF THE KEEPING BY THE BANK OF AN ACCOUNT FOR SUCH LOAN, I HEREBY AGREE:

1. THAT THE BANK SHALL BE ENTITLED TO RECEIVE FROM ME A CHARGE IN THE SUM OF $ 69.08 TO BE DEDUCTED IN ADVANCE FROM SUCH LOAN IN ADDITION TO THE RATE OF INTEREST OR DISCOUNT SET FORTH IN THE PROMISSORY NOTE SIGNED BY ME.
2. THAT, ON REQUEST BY THE BANK, I WILL SUPPLY ALL NECESSARY INFORMATION FOR AND EXECUTE AND DELIVER A CHATTEL MORTGAGE ON THE BANK'S REGULAR FORM ON MY HOUSEHOLD PROPERTY INCLUDING MOTOR VEHICLES AND ANY PERSONAL AND MOVEABLE PROPERTY AS DEFINED UNDER SECTION 75(4) OF THE BANK ACT.
3. I HEREBY CONSENT TO AND APPROVE OF AN APPLICATION BY THE BANK TO AN INSURANCE COMPANY ACCEPTABLE TO THE BANK FOR INSURANCE ON MY LIFE IN THE SUM OF THE AMOUNT FROM TIME TO TIME OWING ON SUCH LOAN PAYABLE TO THE BANK. IF I DIE WHILE SUCH LOAN IS OUTSTANDING THE BANK HAS THE ABSOLUTE RIGHT TO APPLY THE AMOUNT OF THE INSURANCE MONIES PAYABLE UNDER THE SAID POLICY ON THE AMOUNT OF SUCH LOAN THEN OUTSTANDING.

DATED AT ANYTOWN THIS 12th DAY OF November 19 63

Jane Doe John Doe
SIGNATURE

OUNT OF LOAN APPLIED FOR

GROSS AMOUNT $ 1,662.05 REPAYMENT $ 69.26 x 24 MONTHS

POSE OF LOAN Purchase 1962 Chevrolet "8" Biscayne $2,100.
Less Trade 900.
1,200.
Pay Eatons 300.

URITY

*NOTE CO-SIGNED BY WIFE YES X NO
*CAR INSURANCE ASSIGNED YES X NO

TTEL MORTGAGE Yes

DIT BUREAU REPORT

nown to Bureau for 4 years - all accounts paid as agreed.

LICATION TAKEN BY

John Smith, Credit Officer

"NO" PLEASE GIVE REASON BELOW WHEN APPLICABLE

ARKS

Mr. and Mrs. Doe have maintained a small satisfactory account with us since coming to town 4 years ago. They are a reliable couple and Mr. Doe is well regarded by his employers.

In order to reduce monthly payments we consolidated Eaton's account with this loan.

R.H. Brown.
MANAGER

H.O. USE ONLY

THE MANAGER

$1,662.05 ANYTOWN, ONTARIO. November 12th 1963.

Address of Branch

For value received I promise to pay to The Toronto-Dominion Bank or order at the ABOVE BRANCH the sum of SIXTEEN HUNDRED AND SIXTY-TWO----05/100 Dollars said sum to be payable as follows: SIXTY-NINE----26/100 Dollars on the 12th day of December 1963, and SIXTY-NINE----26/100 Dollars on the 12th day of each and every month thereafter until the 12th day of November 1965, on which date the entire balance then unpaid shall become due and payable. In case said instalments, or any of them, are not paid as the same become due, the whole of said sum shall forthwith become due and payable at the option of the holder of this note.

In the event that the undersigned shall fail to make any of the payments above provided for, the undersigned promises to pay interest at 6% per annum on each such defaulted payment from the date of default until payment.

I acknowledge the receipt of $1,500. being proceeds of this note less discount of $92.97 and less charge of $69.08.

John Doe

Jane Doe

PERSONAL INSTALMENT LOAN PLAN NOTE
Form 331
(Rev. 5-59) No. 389

PERSONAL INSTALMENT LOANS PLAN 2

6 MONTHS - FACE VALUE OF NOTE AND MONTHLY PAYMENT

NET PROCEEDS TAKEN BY BORROWER	Total Service Charge	Total Interest 6% p. a.	FACE VALUE OF NOTE	Monthly Payment 5 Mos.	6th Payment
$ 100	$ 1.16	$ 1.71	$ 102.87	$ 17.15	$ 17.12
150	1.73	2.57	154.30	25.72	25.70
200	2.32	3.42	205.74	34.29	34.29
250	2.89	4.28	257.17	42.87	42.82
300	3.46	5.14	308.60	51.44	51.40
350	4.05	5.99	360.04	60.01	59.99
400	4.62	6.85	411.47	68.58	68.57
450	5.20	7.70	462.90	77.15	77.15
500	5.78	8.56	514.34	85.73	85.69
550	6.35	9.42	565.77	94.30	94.27
600	6.93	10.27	617.20	102.87	102.85
650	7.51	11.13	668.64	111.44	111.44
700	8.09	11.98	720.07	120.02	119.97
750	8.66	12.84	771.50	128.59	128.55
800	9.25	13.69	822.94	137.16	137.14
850	9.82	14.55	874.37	145.73	145.72
900	10.39	15.41	925.80	154.30	154.30
950	10.98	16.26	977.24	162.88	162.84
1000	11.55	17.12	1028.67	171.45	171.42
1050	12.13	17.97	1080.10	180.02	180.00
1100	12.71	18.83	1131.54	188.59	188.59
1150	13.28	19.69	1182.97	197.17	197.12
1200	13.86	20.54	1234.40	205.74	205.70
1250	14.44	21.40	1285.84	214.31	214.29
1300	15.02	22.25	1337.27	222.88	222.87
1350	15.59	23.11	1388.70	231.45	231.45
1400	16.16	23.97	1440.13	240.03	239.98
1450	16.75	24.82	1491.57	248.60	248.57
1500	17.32	25.68	1543.00	257.17	257.15
1550	17.90	26.53	1594.43	265.74	265.73
1600	18.48	27.39	1645.87	274.32	274.27
1650	19.05	28.25	1697.30	282.89	282.85
1700	19.63	29.10	1748.73	291.46	291.43
1750	20.21	29.96	1800.17	300.03	300.02
1800	20.79	30.81	1851.60	308.60	308.60
1850	21.36	31.67	1903.03	317.18	317.13
1900	21.95	32.52	1954.47	325.75	325.72
1950	22.52	33.38	2005.90	334.32	334.30
2000	23.09	34.24	2057.33	342.89	342.88
2050	23.68	35.09	2108.77	351.47	351.42
2100	24.25	35.95	2160.20	360.04	360.00
2150	24.83	36.80	2211.63	368.61	368.58
2200	25.41	37.66	2263.07	377.18	377.17
2250	25.98	38.52	2314.50	385.75	385.75
2300	26.56	39.37	2365.93	394.33	394.28
2350	27.14	40.23	2417.37	402.90	402.87
2400	27.72	41.08	2468.80	411.47	411.45
2450	28.29	41.94	2520.23	420.04	420.03
2500	28.87	42.80	2571.67	428.62	428.57
3000	34.65	51.35	3086.00	514.34	514.30
4000	46.18	68.48	4114.66	685.78	685.76
5000	57.73	85.60	5143.33	857.23	857.18

GROUP CREDITORS LIFE INSURANCE CERTIFICATE

issued under the policy referred to below, pursuant to agreements entered into by

THE DOMINION OF CANADA GENERAL INSURANCE COMPANY
Toronto, Canada

and

THE EXCELSIOR LIFE INSURANCE COMPANY
Toronto, Canada

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
Toronto, Canada

and providing for the sharing of the liability resulting from the insurance thereunder in the proportions stated in the respective agreements.

THIS CERTIFIES that the borrower first named on the reverse side hereof being indebted to

THE TORONTO - DOMINION BANK

(herein referred to as the Creditor)

as evidenced by the obligation referred to on the reverse side hereof

HAS BECOME INSURED against the contingency of death under the provisions of Group Creditors Insurance Policy No. GL 30342 issued by The Prudential Insurance Company of America (herein referred to as the Prudential).

The Policy provides that immediately upon receipt of due proof in writing of the death of the borrower while insured in accordance with the terms thereof, the Prudential will pay to the Creditor the amount for which the borrower is insured with respect to such indebtedness.

The amount for which the borrower is insured under the Policy with respect to such indebtedness is the amount necessary to discharge such indebtedness.

In no event shall the amount of insurance under the Policy on the life of any one borrower exceed $6,000 with respect to all indebtedness for which the borrower is insured under the Policy.

The Policy further provides that the amount of insurance shall be applied by the Creditor towards the discharge of the indebtedness of the borrower remaining unpaid at the death of the borrower, and that payment by the Prudential to the Creditor shall completely discharge the Prudential's liability with respect to the amount so paid.

The Policy also provides that the insurance on the life of the borrower shall automatically terminate if the indebtedness is discharged, or if the indebtedness becomes in default and the Creditor does not continue premium payments, or if the Policy terminates, or if the indebtedness is transferred to another creditor.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,

ORD 27320-1—ED 4-59

Printed in Canada

STATEMENT
OF
INSURANCE

On the Life of

____

Note No. ____________________

UNDER
GROUP CREDITORS
INSURANCE POLICY
ISSUED TO
THE TORONTO - DOMINION
BANK

ORIGINAL TERM OF LOAN 24 MONTHS

CHGE OR PREM	MONTHS LOAN HAS RUN						MONTHS LOAN HAS RUN					
	1	2	3	4	5	6	7	8	9	10	11	12
56	51.52	47.23	43.12	39.20	35.47	31.92	28.56	25.39	22.40	19.60	16.99	14.56
57	52.44	48.07	43.89	39.90	36.10	32.49	29.07	25.84	22.80	19.95	17.29	14.82
58	53.36	48.91	44.66	40.60	36.73	33.06	29.58	26.29	23.20	20.30	17.59	15.08
59	54.28	49.76	45.43	41.30	37.37	33.63	30.09	26.75	23.60	20.65	17.90	15.34
60	55.20	50.60	46.20	42.00	38.00	34.20	30.60	27.20	24.00	21.00	18.20	15.60
61	56.12	51.44	46.97	42.70	38.63	34.77	31.11	27.65	24.40	21.35	18.50	15.86
62	57.04	52.29	47.74	43.40	39.27	35.34	31.62	28.11	24.80	21.70	18.81	16.12
63	57.96	53.13	48.51	44.10	39.90	35.91	32.13	28.56	25.20	22.05	19.11	16.38
64	58.88	53.97	49.28	44.80	40.53	36.48	32.64	29.01	25.60	22.40	19.41	16.64
65	59.80	54.82	50.05	45.50	41.17	37.05	33.15	29.47	26.00	22.75	19.72	16.90
66	60.72	55.66	50.82	46.20	41.80	37.62	33.66	29.92	26.40	23.10	20.02	17.16
67	61.64	56.50	51.59	46.90	42.43	38.19	34.17	30.37	26.80	23.45	20.32	17.42
68	62.56	57.35	52.36	47.60	43.07	38.76	34.68	30.83	27.20	23.80	20.63	17.68
69	63.48	58.19	53.13	48.30	43.70	39.33	35.19	31.28	27.60	24.15	20.93	17.94
70	64.40	59.03	53.90	49.00	44.33	39.90	35.70	31.73	28.00	24.50	21.23	18.20
71	65.32	59.88	54.67	49.70	44.97	40.47	36.21	32.19	28.40	24.85	21.54	18.46
72	66.24	60.72	55.44	50.40	45.60	41.04	36.72	32.64	28.80	25.20	21.84	18.72
73	67.16	61.56	56.21	51.10	46.23	41.61	37.23	33.09	29.20	25.55	22.14	18.98
74	68.08	62.41	56.98	51.80	46.87	42.18	37.74	33.55	29.60	25.90	22.45	19.24
75	69.00	63.25	57.75	52.50	47.50	42.75	38.25	34.00	30.00	26.25	22.75	19.50
76	69.92	64.09	58.52	53.20	48.13	43.32	38.76	34.45	30.40	26.60	23.05	19.76
77	70.84	64.94	59.29	53.90	48.77	43.89	39.27	34.91	30.80	26.95	23.36	20.02
78	71.76	65.78	60.06	54.60	49.40	44.46	39.78	35.36	31.20	27.30	23.66	20.28
79	72.68	66.62	60.83	55.30	50.03	45.03	40.29	35.81	31.60	27.65	23.96	20.54
80	73.60	67.47	61.60	56.00	50.67	45.60	40.80	36.27	32.00	28.00	24.27	20.80
81	74.52	68.31	62.37	56.70	51.30	46.17	41.31	36.72	32.40	28.35	24.57	21.06
82	75.44	69.15	63.14	57.40	51.93	46.74	41.82	37.17	32.80	28.70	24.87	21.32
83	76.36	70.00	63.91	58.10	52.57	47.31	42.33	37.63	33.20	29.05	25.18	21.58
84	77.28	70.84	64.68	58.80	53.20	47.88	42.84	38.08	33.60	29.40	25.48	21.84
85	78.20	71.68	65.45	59.50	53.83	48.45	43.35	38.53	34.00	29.75	25.78	22.10
86	79.12	72.53	66.22	60.20	54.47	49.02	43.86	38.99	34.40	30.10	26.09	22.36
87	80.04	73.37	66.99	60.90	55.10	49.59	44.37	39.44	34.80	30.45	26.39	22.62
88	80.96	74.21	67.76	61.60	55.73	50.16	44.88	39.89	35.20	30.80	26.69	22.88
89	81.88	75.06	68.53	62.30	56.37	50.73	45.39	40.35	35.60	31.15	27.00	23.14
90	82.80	75.90	69.30	63.00	57.00	51.30	45.90	40.80	36.00	31.50	27.30	23.40
91	83.72	76.74	70.07	63.70	57.63	51.87	46.41	41.25	36.40	31.85	27.60	23.66
92	84.64	77.59	70.84	64.40	58.27	52.44	46.92	41.71	36.80	32.20	27.91	23.92
93	85.56	78.43	71.61	65.10	58.90	53.01	47.43	42.16	37.20	32.55	28.21	24.18
94	86.48	79.27	72.38	65.80	59.53	53.58	47.94	42.61	37.60	32.90	28.51	24.44
95	87.40	80.12	73.15	66.50	60.17	54.15	48.45	43.07	38.00	33.25	28.82	24.70
96	88.32	80.96	73.92	67.20	60.80	54.72	48.96	43.52	38.40	33.60	29.12	24.96
97	89.24	81.80	74.69	67.90	61.43	55.29	49.47	43.97	38.80	33.95	29.42	25.22
98	90.16	82.65	75.46	68.60	62.07	55.86	49.98	44.43	39.20	34.30	29.73	25.48
99	91.08	83.49	76.23	69.30	62.70	56.43	50.49	44.88	39.60	34.65	30.03	25.74
100	92.00	84.33	77.00	70.00	63.33	57.00	51.00	45.33	40.00	35.00	30.33	26.00
200	184.00	168.67	154.00	140.00	126.67	114.00	102.00	90.67	80.00	70.00	60.67	52.00
300	276.00	253.00	231.00	210.00	190.00	171.00	153.00	136.00	120.00	105.00	91.00	78.00
400	368.00	337.33	308.00	280.00	253.33	228.00	204.00	181.33	160.00	140.00	121.33	104.00
500	460.00	421.67	385.00	350.00	316.67	285.00	255.00	226.67	200.00	175.00	151.67	130.00
600	552.00	506.00	462.00	420.00	380.00	342.00	306.00	272.00	240.00	210.00	182.00	156.00
700	644.00	590.33	539.00	490.00	443.33	399.00	357.00	317.33	280.00	245.00	212.33	182.00
800	736.00	674.67	616.00	560.00	506.67	456.00	408.00	362.67	320.00	280.00	242.67	208.00
900	828.00	759.00	693.00	630.00	570.00	513.00	459.00	408.00	360.00	315.00	273.00	234.00
1000	920.00	843.33	770.00	700.00	633.33	570.00	510.00	453.33	400.00	350.00	303.33	260.00

Need a new car . . . furniture for the house or maybe you'd like some of those modern new appliances that make life easier and more enjoyable?

Well, why wait? Get them *now* . . . through a low cost Personal Loan from The Toronto-Dominion Bank branch in your neighbourhood.

If you're steadily employed, and have a satisfactory credit rating, you'll be pleasantly surprised at just how easily you can obtain a Personal Loan from "The Bank".

You'll appreciate the low cost and the generous repayment terms — up to three years to pay. The chart below sets out the monthly payment for various amounts and different periods.

MONTHLY INSTALMENT REPAYMENT CHART

	12 months	18 months	24 months	30 months	36 months
$ 500	$ 43.96	$ 30.04	$ 23.09	$ 18.92	$ 16.14
1,000	87.91	60.07	46.17	37.83	32.28
1,500	131.86	90.11	69.26	56.74	48.42
2,000	175.81	120.14	92.34	75.65	64.56
2,500	219.77	150.17	115.43	94.56	80.70
3,000	263.72	180.21	138.51	113.48	96.84

*Monthly instalment includes interest at 6% per annum plus service charge.

Some of the most important categories for which we make T-D Personal Loans are mentioned on the back of this folder. Of course, there are many more, and we do mean it when we say we will consider loans for any worthwhile purpose.

Life insurance for the unpaid balance is an important feature of our loan plan. This has proven very beneficial to many families. In the event of your death,the life insurance company, and not your estate, pays the balance owing to the bank.

Lending money is as much our business as helping you to save. For this reason you will find your Toronto-Dominion manager completely understanding and anxious to work for you.

Why not begin *right now* enjoying the things you want tomorrow. See your Toronto-Dominion Bank manager about a convenient, low cost Personal Loan today.

You'll agree that in Personal Loans, as in every other modern banking service . . .

People Make the Difference at

THE TORONTO-DOMINION BANK

THE TORONTO-DOMINION BANK

KING SHOPPING PLAZA, HAMILTON RD. & HALE ST.
LONDON, ONT.

A Personal Word from "THE BANK"

It is surprising how few people realize that "THE BANK" is just as interested in lending people money as it is in helping them to save it. As a matter of fact, part of its obligation to you is to help you obtain the things you want and need.

Toronto-Dominion's "T-D" Personal Loans are designed for just that reason. They're available to you for any worthwhile purpose, including the purchase of a car, educational expenses, or new household equipment, to name just a few. They're also available to help you meet emergencies caused by medical and hospital bills, deaths or unforseen family problems.

"T-D" Personal Loans make good business sense because their interest rates are low and life insurance coverage is provided for the unpaid balance of the loan.

If you are steadily employed and need money for any good reason, make it a point to drop in and see us soon. We will be happy to discuss your requirements with you.

Yours sincerely,

Manager

*MONTHLY INSTALMENT REPAYMENT CHART

Loan	12 months	18 months	24 months	36 months
$ 500	$ 43.96	$ 30.04	$ 23.09	$16.14
1,000	87.91	60.07	46.17	32.28
2,000	175.81	120.14	92.34	64.56
3,000	263.72	180.21	138.51	96.84

* Monthly instalment includes interest at 6% per annum plus service charge.

much you may have collected from the insurance company?

MR. MARTIN: For death claims?

THE CHAIRMAN: Yes, since you started.

MR. MARTIN: Well, we have collected roughly a half million dollars.

THE CHAIRMAN: In the last four years?

MR. MARTIN: Yes.

MR. MacDONALD: The average age is 47?

MR. MARTIN: 47. That's according to our statistics. When we have a death claim it has got to be supported, obviously, by a certificate. We don't just take the word from some secondary person that so and so has died -- I mean the insurance company requires it. So when these come in they usually show the age and we also know from our Form -- the first thing there, at the top -- age 36 -- we know from that too how old the man is. That is a fact. It scares you, doesn't it. I'm 56. (Laughter)

MR. MacDONALD: Well, tell me -- this is just a small point -- how many deaths would be involved in this statistic?

MR. MARTIN: About 500. Yes, the average is around $1,000.

THE CHAIRMAN: Mr. Sedgwick, do you have any questions?

MR. SEDGWICK: Mr. Martin, I notice in paragraph #4 you say that a high percentage of instalment loans are secured. We heard yesterday from Mr. Lofquist of the Bank of Commerce -- he gave us figures and said that 20% of their loans were secured

by chattel mortgage security and then went on to say that over 54% of the loans were made without any guarantee or security. Would your figures be radically different because you use a high percentage --

MR. MARTIN: Well, I feel it is a high percentage. Whether -- I don't know too much about the other banks -- but there is a high percentage of our loans are secured by chattel mortgages.

MR. SEDGWICK: Would it be over 50?

MR. MARTIN: I'd say over 50, yes.

MR. SEDGWICK: Yes, probably running up to 70 or 80?

MR. MARTIN: Well, I'd say that was a little high, perhaps 60.

MR. SEDGWICK: 60% are secured by chattel mortgage?

MR. MARTIN: That's right, of one kind or another.

MR. SEDGWICK: Yes. Then, Mr. Lofquist was asked this question -- he was asked -- and he employed this figure in his brief. He said in the overall picture the average effective cost rate to the borrower under the Personal Loan Plan was approximately 9.9%, which would be arrived at by what is called the Actuarial Computation. What would be your bank's figure? Would it be the same?

MR.MARTIN: It would be less than that. You see, our rate runs around $10\frac{1}{4}$, then we take off your -- I don't know but I presume Mr. Lofquist was taking such factors as the cost of chattel mortgages,

the insurance factor, which is quite important --

MR. SEDGWICK: That was all included.

MR. MARTIN: All in about 9.9. I would say ours would be about 9 and -- well, we figured it one time -- 9.3.

MR. SEDGWICK: All in?

MR. MARTIN: All in.

MR. SEDGWICK: Covering insurance and everything else?

MR. MARTIN: Yes.

MR. SEDGWICK: I see.

MR. LAWRENCE: While we are on that point, Mr. Chairman, I was wondering -- Toronto-Dominion, apart from most of the other banks, the big ones in any event, are the only ones to advertise their percent rate.

MR. MARTIN: Not really, I don't think that is quite correct. In our advertising we say -- that's one in one of the folders there -- monthly instalment at 6% per annum plus the service charge. And the other folder also, some of the old ones, also says monthly instalments plus service charge. That's why, in our forms, twice we spell it out. On the application we show the service charge which is in addition to the interest. And again on the note we recite two amounts, the discount $92.97 and the charge $69.08.

MR. LAWRENCE: How do you arrive at your percent figure? We heard yesterday about various systems and methods. Is this the actuarial method?

MR. MARTIN: Well, this is -- this is the Actuarial method. In other words, that is a true 6% rate on a reducing principal balance.

THE CHAIRMAN: Mr. Irwin?

MR. IRWIN: Mr. Chairman, just on the same line of thinking, looking at the Personal Instalment Loan plan to 12 months etc. It would appear that it includes the service charge and the calculated interest at 6% per annum on the same $200.00 -- it would come out somewhere around 11%, would it not?

MR. MARTIN: I'm sorry, which sheet?

MR. IRWIN: The Schedule, Plan 2 for 12 months -- looking at the first item for $200.00, you add the service charge and the calculated interest at 6% per annum and you get a total charge of$10.98 which is to be repaid over 12 months and this roughly represents some 11%.

MR. MARTIN: Actually the rate of 10.447.

MR. IRWIN: Yes.

MR. MARTIN: That's all in.

MR. IRWIN: 10.447. And what did you say your average all-inclusive rate was?

MR. MARTIN: Between 10¼ --just, we'll say, 10-3/8ths. Say 10½ for a really rough -- say 10½.

MR. IRWIN: So, your effective percentage, total cost of money to the face value to the borrower is somewhere in the order of 10½ to 11%?

MR. MARTIN: All inclusive.

MR. IRWIN: Thank you, Mr. Chairman.

THE CHAIRMAN: Mr. Bukator?

MR. LAWRENCE: Do you separate, as Commerce does, your loans granted by your Managers in the normal course of business from the personal loans?

MR. MARTIN: We keep separate totals. We have to do that for insurance because we have to pay the premium monthly and it's on the outstanding balance, so all our branches across Canada maintain their own books and they send in reports at the end of each month to us, which are tabulated. Then we, for statistical purposes, average loans, overdue bills -- the whole situation is complete from our department.

MR. LAWRENCE: I would assume that your personal loan business or your Personal Loan Department is a small percentage of your overall loan business.

MR. MARTIN: Oh, yes.

MR. LAWRENCE: We weren't able to get any definite figure out of Commerce on this, maybe you will be unwilling to do it too. Could you tell us what percentage of your loan business is done through your Personal Loan Department?

MR. MARTIN: Let me see, I'd say somewhere around 5% perhaps. You see, when you take into consideration your huge loans of 10, 15 million -- that takes an awful lot of small loans to take that fact in. It also must be remembered that the Commerce -- they have been in the field for 25 years -- we have been in the field for 4 years. It is coming along nicely, yes.

MR. LAWRENCE: Thank you.

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

THE CHAIRMAN: Mr. MacDonald?

MR. MacDONALD: Mr. Chairman, just one question. Are your procedures standardized at all branches for loans?

MR. MARTIN: Yes, all these forms are in the hands of the branches and they are standardized, although, as Mr. Lofquist remarked yesterday, you have to take into consideration the personal factor. It is a fact, unfortunately, the a person might go to one of our branches and we have an exceptionally conservative manager and he might be turned down, where if he had gone to one on another street he might have --

MR. MacDONALD: I meant the actual mechanics -- what is your standard procedure. Supposing a person were getting a loan on a note signed by two or three people for, say, $2,000.00. Do you pay out the $2,000 and when it's repaid get the interest or do you pay it out just on the interest?

MR. MARTIN: Well, on this Exhibit, he receives $1,500.00 as soon as he signs the note and he then owes us $1,662.05, repayable at $69.26. But, as I mentioned, if he prepays it he is given a full rebate. There is no hold-back at all on any rebates and that is standard for us across Canada.

MR. MacDONALD: But you do discount -- I don't know whether you have actually answered my question or not -- do you discount the interest on what the person is seeking?

MR. MARTIN: No. The Commerce, if I

understand it, if you borrow $1,000 for one year -- I may be wrong on this -- I gathered this from Mr. Lofquist yesterday -- you receive $940.00. Well, we take the other factor. We give him $1,500. He gets the amount that he requires, $1,500 and the charge is added on to the note. It is not discounted, it is added on. The interest is added on.

MR. MacDONALD: Are there discrepancies that creep into your branches?

MR. MARTIN: No, all our branches do this. This is said in the rules and regulations, that this is the way they must do it. And we see all these applications when they come in to us, so we are -- every application, theoretically, I'd say that99.9 of the applications are on file in our Department across Canada.

MR. MacDONALD: I know of at least one exception (laughter). However, that is the general rule and that's what I was trying to get at.

THE CHAIRMAN: Anything else?

MR. SEDGWICK: One other thing. Do you have any figures as to what your loss ratio is, how many loans or what percentage of the money advanced?

MR. MARTIN: Well, we have to look at it from the standpoint that we have been in this field in a very favourable climate.

MR. SEDGWICK: Yes, and very recent.

MR. MARTIN: Very recent, so at the moment our losses are running around one-quarter of 1%. But you must remember this has been very favourable. We

walk into the situation Mr. Lofquist mentioned yesterday up in Sudbury -- we are very big up there -- I guess we have more branches in that area than perhaps any other bank -- we have been there so long. And when they had the strike up there it was pretty tough. If that strike hadn't been settled it would have been very tough.

MR. SEDGWICK: You just had to nurse them along?

MR. MARTIN: That's right. We do nurse them along and the other banks do also.

MR. SEDGWICK: In the end the loans were paid off?

MR. MARTIN: In the end they are being paid off. But this again -- the strike was only what, three or four months ago, or the end of the strike, but they had one before that. We also run into situations -- Oshawa is a case in point -- where, not recently, but General Motors had, a couple of years ago, had a lay-off for six or seven weeks retooling. Well then you are in a situation where you have to nurse them along. But they do pay.

MR. SEDGWICK: But in the result your loss ratio is very small?

MR. MARTIN: Very good at the present.

MR. SEDGWICK: Thank you.

THE CHAIRMAN: Mr. Belanger?

MR. BELANGER: Might I ask, when you have a piece of literature like these here, do you have to submit that to any branch of the Ontario government

for approval?

MR. MARTIN: This type of literature?

MR. BELANGER: Yes.

MR. MARTIN: Not that I know of.

MR. BELANGER: You just issue this thing and it's okay --

MR. MARTIN: I wouldn't know. I don't put out the advertising, the other Department does that but not so far as I know. I believe they just put them out.

MR. BELANGER: I was interested in seeing that quite a few billboards (rest of sentence inaudible)

MR. MARTIN: As you may recall, we were the ones that had the famous ad that we have the nicest girls in banking. The whole situation, in the ads, we like to think that we have got good people and that they do make the difference. That, of course, is advertising. There may be people here that disagree -- (laughter).

MR. MacDONALD: This means they only have one glass eye. (Laughter)

THE CHAIRMAN: Mr. Reilly?

MR. REILLY: One question, Mr. Chairman, in connection with page 2, item 7 on rebates. Is there a standard rebate table used by most banks, are they very similar?

MR. MARTIN: Again, I wouldn't know. Here is our rebate table. This sheet you have was taken from it. But this is the rebate table right

through the whole piece. What all the branches have is those Schedule of Charges that you all have, every branch has these.

MR. REILLY: Well, Mr. Martin, do you know how this rebate table would compare with the rebate table of a Finance Company?

MR. MARTIN: Again, I suppose, it would depend on a great extent on the finance company. Some, I believe, have got hold-backs and one thing and another. We do not. We give them back the whole thing on this table.

MR. REILLY: In other words, your rebate table is far more generous than most finance companies?

MR. MARTIN: I would suggest that.

MR. REILLY: Thank you, Mr. Chairman.

THE CHAIRMAN: Mr. Letherby? Gentlemen, do you have any other questions you wish to ask at this time?

Well, if not, we certainly appreciate you coming forward this morning, Mr. Martin. You answered our questions very ably and we appreciate your assistance.

MR. MARTIN: Just in closing, I would like to make a comment along the lines of Mr. (   ) of the high rates charged. It was also brought up at one of these other meetings that I read about in the paper, of 25% interest on a mortgage. We had a customer that was caught in that rat race and he had a mortgage of $3,000 at 25% -- $750.00 a year, and he

was really upset. So we were able to take the thing over under our Plan. He was paying about $65 or $66 a month interest and getting nowhere. By paying us another $30.00 a month for three years, he's cleaned up.

MR. REILLY: You may have more cases of that kind.

MR. MARTIN: Well, we take a good look at them.

MR. REILLY: Why didn't he come in the first place to you?

MR. MARTIN: If only he had read the fine print. That's the big --

MR. REILLY: Was it because you were restricted as to the length of time that you would lend him the money?

MR. MARTIN: Well, our maximum term is three years, but he was able to -- well, actually he was paying $65 and getting nowhere. So he had to dig up another $30 -- mind you, it was co-signed. I mean we had -- I think the family are all together on this thing and they thought they could do it and they have done it. I would feel that when he bought the house he perhaps didn't read the fine print.

MR. REILLY: Was he able to get out of the mortgage then?

MR. MARTIN: Oh, yes.

THE CHAIRMAN: If that's all, Mr. Martin, thank you.

Is Mr. William J. Dixon here this morning? Please come forward, Mr. Dixon. Gentlemen,

this is Mr. William J. Dixon, the Assistant General Manager of the Consumer Credit for the Bank of Nova Scotia. He has a prepared brief which has been distributed, the blue one. We will ask Mr. Dixon if he cares to make any preliminary remarks. If not he can read the brief to us and then we may have a few questions.

MR. DIXON: Thank you, Mr. Chairman. I think, in view of the time, if I may just proceed with the reading --

"As one financial oragnization among many, we were indeed pleased to read of the appointment by the Ontario Legislature of this Select Committee on Consumer Credit. As indicated previously to its Chairman, we are honoured to receive an invitation to appear before the Committee.

"As a preamble to our appearance we respectfully submit this brief which is intended to outline generally the nature and scope of most of the transactions coming within our Scotia Plan Credit program together with some information on its history, practices and aims.

"At the time of the decennial review of the Bank Act in 1954 when an important extension of the business and powers of a bank (Section 76:6) was enacted, this Bank examined the consumer credit field extensively and planned to introduce a service to be built around the indicated need. Not the least among the factors influencing the Bank in this decision was its conviction that a more active participation in this

field on the part of Canadian banking would be appropriate and indeed helpful to the national economy. As it turned out, however, the time of this planned introduction was in a period of monetary stringency and the Bank was faced with meeting the borrowing requirements of its long-established customers, and it would not have been fair to those existing customers to initiate a new lending service at that time. Hence the plan to introduce such a program was deferred until 1958 when monetary conditions were in better balance. Significantly the interval provided the opportunity for the Bank to appraise all the possible ways and means of introducing and sustaining this major undertaking in a manner which would be most satisfactory to the Bank and its customers.

"In the middle of that year, 1958, a small group of officers commenced work upon the operational and administrative aspects of the program. Just prior to the end of that fiscal year it was ready - forms, procedures for direct and indirect lending as well as for revolving credit accounts, an instruction manual, a training film, resources, advertising, etc. - as complete as possible. Coast to coast meetings were conducted with Branch Managers to assist in introducing Scotia Plan Credit. At General Office many departments combined their endeavours so that all was in readiness to meet the demands of customers both old and new as soon as the program was announced.

"Today, the extent of competitive activities in this field by banks and by other organizations is, we are sure, known to the members of this Committee.

"The basic reason that instalment credit has been and can be successfully extended to a major number of Canadians is that most Canadian families are good credit risks. They have both the willingness and the ability to pay the obligations they assume, and they have shown a remarkable record of meeting their obligations in both good times and bad.

"Fundamentally, instalment credit is simply a form of enforced savings. Individuals cannot pay for goods and services on the instalment plan unless they have sufficient income to enable them to meet the monthly payments. Payments toward these goods and services which are intended to maintain or improve the standard of living, should not, however, impair such standard of living in other important directions. Since the Bank's objective in the instalment lending field is to make credit available to those who have the need for it, Scotia Plan loans are made at all Branches in Canada for any purpose which the applicant considers worthwhile to him, subject to the decision of the Bank Manager concerning the appropriateness of such a loan in the light of all the facts.

"Of prime importance to the Bank in dealing with applications for Scotia Plan loans are an applicant's -

"Ability to Pay: reflected in the size, source and regularity of the applicant's income.

"Capacity and Competence to Pay: revealed by the nature of his occupation, the nature of the industry in which he is employed, and the continuity

of his employment.

"Intention to Pay: indicated by the applicant's past performance in meeting his obligations.

"Personal Characteristics: reflected in the applicant's reputation and habits, his age, the type and location of the residence.

"Financial Characteristics: disclosed by the applicant's other obligations and commitments, assets and liabilities, home ownership, financial reserves and the pattern indicated by the extent to which he has committed his own resources towards the purchase of consumer durable goods.

"Of secondary importance is the security that may be offered or available for pledging to support the applicant's promise to repay the loan and the security documents that can be utilized. In all cases the Bank takes a Scotia Plan promissory note. Most loans are secured through taking a chattel mortgage or an assignment of a conditional sales contract over such personal property as motor vehicles, household furniture, appliances and equipment, or a combination of these chattels. Of course, unsecured instalment loans with and without endorsers are also made. Sometimes too there are other assignable assets available; however by reason of Section 75(2) of the Bank Act, real property is excluded from these assignable assets.

"A major portion of Scotia Plan borrowers is represented by persons and families on regular monthly (or weekly) incomes and the repayment of their obligations to the Bank is scheduled on the same

basis, most often in equal monthly instalments. In some cases instalments are scheduled on a seasonal or irregular basis within the same overall term to coincide with the income of those borrowers which is received on that basis.

"In scheduling the terms of repayment, a most important consideration is the length of time and the manner in which the borrower has earned and will continue to earn his income as well as the manner in which he has used and intends in the future to use or distribute his "take home pay". In every case take home pay should be sufficient to meet routine living expenses such as food, clothing, shelter, home operation, transportation, etc., to leave a margin adequate to cover current or prospective commitments and to provide for small exigencies or over-runs in routine living expenses. Generally speaking, it is safe for the average borrower to assume the repayment of an instalment obligation at the rate of up to 15% of his net income. However, there are many qualifications, too numerous and varied to detail here, and it may be necessary to fix at 10% in some cases or at 25% in others, the ratio of the loan repayment amount to income. If the applicant has liquid assets as well as ample earnings, or if the purpose of the loan is to purchase durable goods representing an investment, such as a car, it may be justifiable to exceed the 15% normal average. The comparatively liberal ratios will not, of course, apply to applicants with indefinite small incomes.

"As indicated above, the security

frequently supporting our Scotia Plan loans is title to that class of personal property generally referred to as consumer durable goods. Most consumer durable goods, particularly those the title to which forms part or all of the security for an instalment credit transaction, have a predictable life span of useful service. Therefore, the other governing aspect of scheduling repayment terms is to ensure, for the benefit of borrower and lender alike, that at no time during the term of the transaction will the reducing loan balance exceed the depreciating value of the personal property pledged as security.

"Collection follow-up in instalment lending begins at the time the loan is made. Part of our loan-closing technique is a clear explanation of the terms of the loan which point up the borrower's responsibility to make the agreed payment on the due date he has chosen. Also the importance of contacting the Bank in the event that a payment cannot be made when due is emphasized. When these things are done properly, follow-up is held to a minimum.

"Loan payments must be attended to in a manner which enables the Bank to collect the amount owing with a minimum of effort and still retain the goodwill of the customer. Most borrowers repay their loans according to the terms agreed. Some respond to notices and letters. Still others require contact in person or by telephone before they will pay. A few will not pay at all.

"In most cases, an account becomes

delinquent not because of dishonesty on the part of the borrower but because of sickness, unemployment, family trouble or some other unforeseen difficulty. The collecting officer's approach, therefore, is constructive, one of assisting the borrower to straighten out his problem, or helping him over his difficulties. This may mean extending the final maturity of the loan, refinancing the account to reduce the amount of each instalment payment, or increasing the amount of the loan to provide additional funds that the borrower may clear up his other obligations.

"Utilizing the principles for instalment lending and collecting which have been briefly outlined above has enured to the benefit of Scotia Plan borrowers and, of course, the Bank as well.

"At this point it may be appropriate to discuss our Scotia Plan loan charges and the manner in which they are computed and expressed in the notes taken from our borrowers. It may also be appropriate to reflect on what we consider to be an acceptable description of the three components of instalment loan charges. They are:-

Interest - forbearance or rental of money used.

Risk - Insurance against loss.

Servicing charge - management, the major components of which are credit and security assessment, security documentation, accounting and collection; the lesser components of which are

counselling, group life insurance and acquisition.

"With reference to our "Table of Cost of Loan and Monthly Payments, Form 1010", appended hereto as Exhibit A, it will be seen that the loan charges are graded downward in direct relation to the length of the repayment term. For instance, the cost per annum per $100 of amount loaned for the 12 months term is $6.00; it is $5.80 per annum for 24 months and $5.60 per annum for 36 months. While the combined interest and risk portion remains constant, the servicing charge portion, the components of which are described above, reduces from $2.75 per annum for the 12 months term to $2.51 per annum for 36 months. We have reduced the servicing charge on loans for longer terms because we recognize that the administration required per annum on such loans is somewhat less than that required per annum on loans for shorter terms.

"With reference to our Scotia Plan loan promissory note, Form 1003, appended hereto as Exhibit B, it will be seen (reading from top to bottom after provision for inserting the place, date and name(s) that the borrower promises to pay the Bank a sum certain expressed in words in the body of the note. This sum certain is then described in words as the amount loaned plus the cost of the amount loaned. The components of the cost of the amount loaned are then disclosed in words as interest at a rate per annum and an administrative charge. Together these components are set out as a dollar rate per annum per $100 of the amount loaned.

The words then go on to set out the amounts and due dates of each instalment. The second paragraph relates to the remedies that the Bank has upon any default in payment of any instalment. Following this, but before providing for the maker's signature, is an exact dollar and cents accounting in figures of the amount loaned, the cost thereof and the amount of the note. This latter sum agrees with the sum certain expressed earlier in words in the body of the note.

"It has been our experience and that of others too, that this format which sets out details clearly and in a logical sequence, provides the maker of the note with all of the information he wants to know. Our experience indicates that there are four items of information that a borrower wants to know. These are -

(1) How much he is borrowing in dollars and cents,

(2) What it will cost him in dollars and cents for borrowing that sum,

(3) How much he will have to repay (each month), and

(4) For how long.

"We suggest too that at the time he inters into a transaction he is primarily interested in the first two items mentioned above. Afterwards he is interested only in the last two items mentioned.

"It is natural that there will be many schools of though on and approaches to this matter of disclosing instalment loan charges in terms of a percentage "interest" rate per annum. However, while

we trust that it is evident from the format of our Note form that we support full disclosure, we find it difficult on two counts to support some of the means which have been proposed to accomplish full disclosure. First, we feel that for a short or medium term instalment transaction a borrower rarely concerns himself with the average annual amount of money that he has borrowed -- rather it is the amount he borrows at the outset. Secondly, we feel that it would be misleading to suggest to our enlightened society that all costs or charges for loans, particularly those loans repayable in instalments, are "interest".

"In conclusion, while there are no doubt many other matters and aspects relating to the important consumer sector of our national economy into which the Committee will be examining, studying and reporting on, we sincerely hope that some of the practices and expressions of opinion in this submission have been helpful to the Committee in its deliberations.

"We thank you for the opportunity of presenting it."

THE CHAIRMAN: Thank you, Mr. Dixon.

MR. SEDGWICK: Mr. Dixon, you may know that Mr. Lofquist of the Bank of Commerce, was here yesterday and he gave this Committee some data very similar in form to these data you have presented. I was just making a comparison. In the literature, Exhibit A, taking a 12 month period, I see that for a loan which realized to the borrower $400.00, your monthly payment, if you amortized the loan over a year, would be $35.33

FORM 1010

THE BANK OF NOVA SCOTIA
SCOTIA PLAN LOANS

TABLE OF COST OF LOAN AND MONTHLY PAYMENTS

TERM - 6 MONTHS

COST OF AMOUNT LOANED
$6.00 per Annum per $100
(To Be Inserted in Promissory Note)

REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT	REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT	REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT
1	.03	.17	51	1.53	8.75	200	6.00	34.33
2	.06	.34	52	1.56	8.93	300	9.00	51.50
3	.09	.51	53	1.59	9.10	400	12.00	68.67
4	.12	.69	54	1.62	9.27	500	15.00	85.83
5	.15	.86	55	1.65	9.44	600	18.00	103.00
6	.18	1.03	56	1.68	9.61	700	21.00	120.17
7	.21	1.20	57	1.71	9.78	800	24.00	137.33
8	.24	1.37	58	1.74	9.96	900	27.00	154.50
9	.27	1.54	59	1.77	10.13	1000	30.00	171.67
10	.30	1.72	60	1.80	10.30	1100	33.00	188.83
11	.33	1.89	61	1.83	10.47	1200	36.00	206.00
12	.36	2.06	62	1.86	10.64	1300	39.00	223.17
13	.39	2.23	63	1.89	10.81	1400	42.00	240.33
14	.42	2.40	64	1.92	10.99	1500	45.00	257.50
15	.45	2.57	65	1.95	11.16	1600	48.00	274.67
16	.48	2.75	66	1.98	11.33	1700	51.00	291.83
17	.51	2.92	67	2.01	11.50	1800	54.00	309.00
18	.54	3.09	68	2.04	11.67	1900	57.00	326.17
19	.57	3.26	69	2.07	11.84	2000	60.00	343.33
20	.60	3.43	70	2.10	12.02	2100	63.00	360.50
21	.63	3.60	71	2.13	12.19	2200	66.00	377.67
22	.66	3.78	72	2.16	12.36	2300	69.00	394.83
23	.69	3.95	73	2.19	12.53	2400	72.00	412.00
24	.72	4.12	74	2.22	12.70	2500	75.00	429.17
25	.75	4.29	75	2.25	12.87	2600	78.00	446.33
26	.78	4.46	76	2.28	13.04	2700	81.00	463.50
27	.81	4.63	77	2.31	13.22	2800	84.00	480.67
28	.84	4.81	78	2.34	13.39	2900	87.00	497.83
29	.87	4.98	79	2.37	13.56	3000	90.00	515.00
30	.90	5.15	80	2.40	13.73	3100	93.00	532.17
31	.93	5.32	81	2.43	13.90	3200	96.00	549.33
32	.96	5.49	82	2.46	14.08	3300	99.00	566.50
33	.99	5.66	83	2.49	14.25	3400	102.00	583.67
34	1.02	5.84	84	2.52	14.42	3500	105.00	600.83
35	1.05	6.01	85	2.55	14.59	3600	108.00	618.00
36	1.08	6.18	86	2.58	14.76	3700	111.00	635.17
37	1.11	6.35	87	2.61	14.93	3800	114.00	652.33
38	1.14	6.52	88	2.64	15.11	3900	117.00	669.50
39	1.17	6.69	89	2.67	15.28	4000	120.00	686.67
40	1.20	6.87	90	2.70	15.45	4100	123.00	703.83
41	1.23	7.04	91	2.73	15.62	4200	126.00	721.00
42	1.26	7.21	92	2.76	15.79	4300	129.00	738.17
43	1.29	7.38	93	2.79	15.96	4400	132.00	755.33
44	1.32	7.55	94	2.82	16.14	4500	135.00	772.50
45	1.35	7.72	95	2.85	16.31	4600	138.00	789.67
46	1.38	7.90	96	2.88	16.48	4700	141.00	806.83
47	1.41	8.07	97	2.91	16.65	4800	144.00	824.00
48	1.44	8.24	98	2.94	16.82	4900	147.00	841.17
49	1.47	8.41	99	2.97	16.99	5000	150.00	858.33
50	1.50	8.58	100	3.00	17.17			

6 MONTHS — 6 MONTHS

12 MONTHS —— 12 MONTHS

TERM - 12 MONTHS

COST OF AMOUNT LOANED
$6.00 per Annum per $100
(To Be Inserted in Promissory Note)

REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT	REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT	REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT
1	.06	.09	51	3.06	4.50	200	12.00	17.67
2	.12	.18	52	3.12	4.59	300	18.00	26.50
3	.18	.26	53	3.18	4.68	400	24.00	35.33
4	.24	.35	54	3.24	4.77	500	30.00	44.17
5	.30	.44	55	3.30	4.86	600	36.00	53.00
6	.36	.53	56	3.36	4.95	700	42.00	61.83
7	.42	.62	57	3.42	5.03	800	48.00	70.67
8	.48	.71	58	3.48	5.12	900	54.00	79.50
9	.54	.79	59	3.54	5.21	1000	60.00	88.33
10	.60	.88	60	3.60	5.30	1100	66.00	97.17
11	.66	.97	61	3.66	5.39	1200	72.00	106.00
12	.72	1.06	62	3.72	5.48	1300	78.00	114.83
13	.78	1.15	63	3.78	5.56	1400	84.00	123.67
14	.84	1.24	64	3.84	5.65	1500	90.00	132.50
15	.90	1.32	65	3.90	5.74	1600	96.00	141.33
16	.96	1.41	66	3.96	5.83	1700	102.00	150.17
17	1.02	1.50	67	4.02	5.92	1800	108.00	159.00
18	1.08	1.59	68	4.08	6.01	1900	114.00	167.83
19	1.14	1.68	69	4.14	6.09	2000	120.00	176.67
20	1.20	1.77	70	4.20	6.18	2100	126.00	185.50
21	1.26	1.85	71	4.26	6.27	2200	132.00	194.33
22	1.32	1.94	72	4.32	6.36	2300	138.00	203.17
23	1.38	2.03	73	4.38	6.45	2400	144.00	212.00
24	1.44	2.12	74	4.44	6.54	2500	150.00	220.83
25	1.50	2.21	75	4.50	6.62	2600	156.00	229.67
26	1.56	2.30	76	4.56	6.71	2700	162.00	238.50
27	1.62	2.38	77	4.62	6.80	2800	168.00	247.33
28	1.68	2.47	78	4.68	6.89	2900	174.00	256.17
29	1.74	2.56	79	4.74	6.98	3000	180.00	265.00
30	1.80	2.65	80	4.80	7.07	3100	186.00	273.83
31	1.86	2.74	81	4.86	7.15	3200	192.00	282.67
32	1.92	2.83	82	4.92	7.24	3300	198.00	291.50
33	1.98	2.91	83	4.98	7.33	3400	204.00	300.33
34	2.04	3.00	84	5.04	7.42	3500	210.00	309.16
35	2.10	3.09	85	5.10	7.51	3600	216.00	318.00
36	2.16	3.18	86	5.16	7.60	3700	222.00	326.83
37	2.22	3.27	87	5.22	7.68	3800	228.00	335.66
38	2.28	3.36	88	5.28	7.77	3900	234.00	344.50
39	2.34	3.44	89	5.34	7.86	4000	240.00	353.33
40	2.40	3.53	90	5.40	7.95	4100	246.00	362.16
41	2.46	3.62	91	5.46	8.04	4200	252.00	371.00
42	2.52	3.71	92	5.52	8.13	4300	258.00	379.83
43	2.58	3.80	93	5.58	8.21	4400	264.00	388.66
44	2.64	3.89	94	5.64	8.30	4500	270.00	397.50
45	2.70	3.97	95	5.70	8.39	4600	276.00	406.33
46	2.76	4.06	96	5.76	8.48	4700	282.00	415.16
47	2.82	4.15	97	5.82	8.57	4800	288.00	424.00
48	2.88	4.24	98	5.88	8.66	4900	294.00	432.83
49	2.94	4.33	99	5.94	8.74	5000	300.00	441.66
50	3.00	4.42	100	6.00	8.83			

TERM - 18 MONTHS

COST OF AMOUNT LOANED
$5.80 per Annum per $100
(To Be Inserted in Promissory Note)

REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT	REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT	REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT
1	.09	.06	51	4.44	3.08	200	17.40	12.08
2	.17	.12	52	4.52	3.14	300	26.10	18.12
3	.26	.18	53	4.61	3.20	400	34.80	24.15
4	.35	.24	54	4.70	3.26	500	43.50	30.19
5	.43	.30	55	4.78	3.32	600	52.20	36.23
6	.52	.36	56	4.87	3.38	700	60.90	42.27
7	.61	.42	57	4.96	3.44	800	69.60	48.31
8	.70	.48	58	5.05	3.50	900	78.30	54.35
9	.78	.54	59	5.13	3.56	1000	87.00	60.39
10	.87	.60	60	5.22	3.62	1100	95.70	66.43
11	.96	.66	61	5.31	3.68	1200	104.40	72.47
12	1.04	.72	62	5.39	3.74	1300	113.10	78.50
13	1.13	.79	63	5.48	3.80	1400	121.80	84.54
14	1.22	.85	64	5.57	3.86	1500	130.50	90.58
15	1.30	.91	65	5.65	3.92	1600	139.20	96.62
16	1.39	.97	66	5.74	3.98	1700	147.90	102.66
17	1.48	1.03	67	5.83	4.05	1800	156.60	108.70
18	1.57	1.09	68	5.92	4.11	1900	165.30	114.74
19	1.65	1.15	69	6.00	4.17	2000	174.00	120.78
20	1.74	1.21	70	6.09	4.23	2100	182.70	126.82
21	1.83	1.27	71	6.18	4.29	2200	191.40	132.85
22	1.91	1.33	72	6.26	4.35	2300	200.10	138.89
23	2.00	1.39	73	6.35	4.41	2400	208.80	144.93
24	2.09	1.45	74	6.44	4.47	2500	217.50	150.97
25	2.17	1.51	75	6.52	4.53	2600	226.20	157.01
26	2.26	1.57	76	6.61	4.59	2700	234.90	163.05
27	2.35	1.63	77	6.70	4.65	2800	243.60	169.09
28	2.44	1.69	78	6.79	4.71	2900	252.30	175.13
29	2.52	1.75	79	6.87	4.77	3000	261.00	181.17
30	2.61	1.81	80	6.96	4.83	3100	269.70	187.20
31	2.70	1.87	81	7.05	4.89	3200	278.40	193.24
32	2.78	1.93	82	7.13	4.95	3300	287.10	199.28
33	2.87	1.99	83	7.22	5.01	3400	295.80	205.32
34	2.96	2.05	84	7.31	5.07	3500	304.50	211.36
35	3.04	2.11	85	7.39	5.13	3600	313.20	217.40
36	3.13	2.17	86	7.48	5.19	3700	321.90	223.44
37	3.22	2.23	87	7.57	5.25	3800	330.60	229.48
38	3.31	2.29	88	7.66	5.31	3900	339.30	235.52
39	3.39	2.36	89	7.74	5.37	4000	348.00	241.55
40	3.48	2.42	90	7.83	5.43	4100	356.70	247.59
41	3.57	2.48	91	7.92	5.49	4200	365.40	253.63
42	3.65	2.54	92	8.00	5.55	4300	374.10	259.67
43	3.74	2.60	93	8.09	5.62	4400	382.80	265.71
44	3.83	2.66	94	8.18	5.68	4500	391.50	271.75
45	3.91	2.72	95	8.26	5.74	4600	400.20	277.79
46	4.00	2.78	96	8.35	5.80	4700	408.90	283.83
47	4.09	2.84	97	8.44	5.86	4800	417.60	289.87
48	4.18	2.90	98	8.53	5.92	4900	426.30	295.90
49	4.26	2.96	99	8.61	5.98	5000	435.00	301.94
50	4.35	3.02	100	8.70	6.04			

24 MONTHS —— 24 MONTHS

TERM - 24 MONTHS

COST OF AMOUNT LOANED
$5.80 per Annum per $100
(To Be Inserted in Promissory Note)

REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT	REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT	REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT
1	.12	.05	51	5.92	2.37	200	23.20	9.30
2	.23	.09	52	6.03	2.42	300	34.80	13.95
3	.35	.14	53	6.15	2.46	400	46.40	18.60
4	.46	.19	54	6.26	2.51	500	58.00	23.25
5	.58	.23	55	6.38	2.56	600	69.60	27.90
6	.70	.28	56	6.50	2.60	700	81.20	32.55
7	.81	.32	57	6.61	2.65	800	92.80	37.20
8	.93	.37	58	6.73	2.70	900	104.40	41.85
9	1.04	.42	59	6.84	2.74	1000	116.00	46.50
10	1.16	.46	60	6.96	2.79	1100	127.60	51.15
11	1.28	.51	61	7.08	2.84	1200	139.20	55.80
12	1.39	.56	62	7.19	2.88	1300	150.80	60.45
13	1.51	.60	63	7.31	2.93	1400	162.40	65.10
14	1.62	.65	64	7.42	2.98	1500	174.00	69.75
15	1.74	.70	65	7.54	3.02	1600	185.60	74.40
16	1.86	.74	66	7.66	3.07	1700	197.20	79.05
17	1.97	.79	67	7.77	3.11	1800	208.80	83.70
18	2.09	.84	68	7.89	3.16	1900	220.40	88.35
19	2.20	.88	69	8.00	3.21	2000	232.00	93.00
20	2.32	.93	70	8.12	3.25	2100	243.60	97.65
21	2.44	.97	71	8.24	3.30	2200	255.20	102.30
22	2.55	1.02	72	8.35	3.35	2300	266.80	106.95
23	2.67	1.07	73	8.47	3.39	2400	278.40	111.60
24	2.78	1.12	74	8.58	3.44	2500	290.00	116.25
25	2.90	1.16	75	8.70	3.49	2600	301.60	120.90
26	3.02	1.21	76	8.82	3.53	2700	313.20	125.55
27	3.13	1.25	77	8.93	3.58	2800	324.80	130.20
28	3.25	1.30	78	9.05	3.63	2900	336.40	134.85
29	3.36	1.35	79	9.16	3.67	3000	348.00	139.50
30	3.48	1.39	80	9.28	3.72	3100	359.60	144.15
31	3.60	1.44	81	9.40	3.77	3200	371.20	148.80
32	3.71	1.49	82	9.51	3.81	3300	382.80	153.45
33	3.83	1.53	83	9.63	3.86	3400	394.40	158.10
34	3.94	1.58	84	9.74	3.91	3500	406.00	162.75
35	4.06	1.63	85	9.86	3.95	3600	417.60	167.40
36	4.18	1.67	86	9.98	4.00	3700	429.20	172.05
37	4.29	1.72	87	10.09	4.04	3800	440.80	176.70
38	4.41	1.77	88	10.21	4.09	3900	452.40	181.35
39	4.52	1.81	89	10.32	4.14	4000	464.00	186.00
40	4.64	1.86	90	10.44	4.18	4100	475.60	190.65
41	4.76	1.91	91	10.56	4.23	4200	487.20	195.30
42	4.87	[illegible]	92	10.67	4.28	4300	498.80	199.95
43	4.99	[illegible]	93	10.79	4.32	4400	510.40	204.60
44	5.10	2.05	94	10.90	4.37	4500	522.00	209.25
45	5.22	2.09	95	11.02	4.42	4600	533.60	213.90
46	5.34	2.14	96	11.14	4.46	4700	545.20	218.55
47	5.45	2.19	97	11.25	4.51	4800	556.80	223.20
48	5.57	2.23	98	11.37	4.56	4900	568.40	227.85
49	5.68	2.28	99	11.48	4.60	5000	580.00	232.50
50	5.80	2.32	100	11.60	4.65			

TERM - 30 MONTHS

COST OF AMOUNT LOANED
$5.60 per Annum per $100
(To be Inserted in Promissory Note)

REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT	REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT	REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT
1	.14	.04	51	7.14	1.94	200	28.00	7.60
2	.28	.08	52	7.28	1.98	300	42.00	11.40
3	.42	.11	53	7.42	2.01	400	56.00	15.20
4	.56	.15	54	7.56	2.05	500	70.00	19.00
5	.70	.19	55	7.70	2.09	600	84.00	22.80
6	.84	.23	56	7.84	2.13	700	98.00	26.60
7	.98	.27	57	7.98	2.17	800	112.00	30.40
8	1.12	.30	58	8.12	2.20	900	126.00	34.20
9	1.26	.34	59	8.26	2.24	1000	140.00	38.00
10	1.40	.38	60	8.40	2.28	1100	154.00	41.80
11	1.54	.42	61	8.54	2.32	1200	168.00	45.60
12	1.68	.46	62	8.68	2.36	1300	182.00	49.40
13	1.82	.49	63	8.82	2.39	1400	196.00	53.20
14	1.96	.53	64	8.96	2.43	1500	210.00	57.00
15	2.10	.57	65	9.10	2.47	1600	224.00	60.80
16	2.24	.61	66	9.24	2.51	1700	238.00	64.60
17	2.38	.65	67	9.38	2.55	1800	252.00	68.40
18	2.52	.68	68	9.52	2.58	1900	266.00	72.20
19	2.66	.72	69	9.66	2.62	2000	280.00	76.00
20	2.80	.76	70	9.80	2.66	2100	294.00	79.80
21	2.94	.80	71	9.94	2.70	2200	308.00	83.60
22	3.08	.84	72	10.08	2.74	2300	322.00	87.40
23	3.22	.87	73	10.22	2.77	2400	336.00	91.20
24	3.36	.91	74	10.36	2.81	2500	350.00	95.00
25	3.50	.95	75	10.50	2.85	2600	364.00	98.80
26	3.64	.99	76	10.64	2.89	2700	378.00	102.60
27	3.78	1.03	77	10.78	2.93	2800	392.00	106.40
28	3.92	1.06	78	10.92	2.96	2900	406.00	110.20
29	4.06	1.10	79	11.06	3.00	3000	420.00	114.00
30	4.20	1.14	80	11.20	3.04	3100	434.00	117.80
31	4.34	1.18	81	11.34	3.08	3200	448.00	121.60
32	4.48	1.22	82	11.48	3.12	3300	462.00	125.40
33	4.62	1.25	83	11.62	3.15	3400	476.00	129.20
34	4.76	1.29	84	11.76	3.19	3500	490.00	133.00
35	4.90	1.33	85	11.90	3.23	3600	504.00	136.80
36	5.04	1.37	86	12.04	3.27	3700	518.00	140.60
37	5.18	1.41	87	12.18	3.31	3800	532.00	144.40
38	5.32	1.44	88	12.32	3.34	3900	546.00	148.20
39	5.46	1.48	89	12.46	3.38	4000	560.00	152.00
40	5.60	1.52	90	12.60	3.42	4100	574.00	155.80
41	5.74	1.56	91	12.74	3.46	4200	588.00	159.60
42	5.88	1.60	92	12.88	3.50	4300	602.00	163.40
43	6.02	1.63	93	13.02	3.53	4400	616.00	167.20
44	6.16	1.67	94	13.16	3.57	4500	630.00	171.00
45	6.30	1.71	95	13.30	3.61	4600	644.00	174.80
46	6.44	1.75	96	13.44	3.65	4700	658.00	178.60
47	6.58	1.79	97	13.58	3.69	4800	672.00	182.40
48	6.72	1.82	98	13.72	3.72	4900	686.00	186.20
49	6.86	1.86	99	13.86	3.76	5000	700.00	190.00
50	7.00	1.90	100	14.00	3.80			

PERSONAL INSTALMENT LOANS PLAN 2
9 MONTHS - FACE VALUE OF NOTE AND MONTHLY PAYMENT

NET PROCEEDS TAKEN BY BORROWER	Total Service Charge	Total Interest 6% p.a.	FACE VALUE OF NOTE	Monthly payment 8 Mos.	9th payment
100	1.71	2.45	104.16	11.58	11.52
150	2.57	3.67	156.24	17.37	17.28
200	3.41	4.90	208.31	23.15	23.11
250	4.27	6.12	260.39	28.94	28.87
300	5.12	7.35	312.47	34.72	34.71
350	5.98	8.57	364.55	40.51	40.47
400	6.82	9.80	416.62	46.30	46.22
450	7.68	11.02	468.70	52.09	51.98
500	8.53	12.25	520.78	57.87	57.82
550	9.39	13.47	572.86	63.66	63.58
600	10.23	14.70	624.93	69.44	69.41
650	11.09	15.92	677.01	75.23	75.17
700	11.94	17.14	729.08	81.01	81.00
750	12.80	18.36	781.16	86.80	86.76
800	13.64	19.60	833.24	92.59	92.52
850	14.50	20.82	885.32	98.38	98.28
900	15.35	22.04	937.39	104.16	104.11
950	16.21	23.26	989.47	109.95	109.87
1000	17.05	24.50	1041.55	115.73	115.71
1050	17.91	25.72	1093.63	121.52	121.47
1100	18.76	26.95	1145.71	127.31	127.23
1150	19.62	28.17	1197.79	133.10	132.99
1200	20.46	29.40	1249.86	138.88	138.82
1250	21.32	30.62	1301.94	144.67	144.58
1300	22.17	31.85	1354.02	150.45	150.42
1350	23.03	33.07	1406.10	156.24	156.18
1400	23.87	34.30	1458.17	162.03	161.93
1450	24.73	35.52	1510.25	167.82	167.69
1500	25.58	36.75	1562.33	173.60	173.53
1550	26.44	37.97	1614.41	179.39	179.29
1600	27.28	39.20	1666.48	185.17	185.12
1650	28.14	40.42	1718.56	190.96	190.88
1700	28.99	41.64	1770.63	196.74	196.71
1750	29.85	42.86	1822.71	202.53	202.47
1800	30.69	44.10	1874.79	208.32	208.23
1850	31.55	45.22	1926.87	214.11	213.99
1900	32.40	46.54	1978.94	219.89	219.82
1950	33.26	47.76	2031.02	225.68	225.58
2000	34.10	48.99	2083.09	231.46	231.41
3000	51.15	73.49	3124.64	347.19	347.12
4000	68.20	97.98	4166.18	462.91	462.90
5000	85.25	122.48	5207.73	578.64	578.61

PERSONAL INSTALMENT LOANS PLAN 2

12 MONTHS - FACE VALUE OF NOTE AND MONTHLY PAYMENT

NET PROCEEDS TAKEN BY BORROWER	Total Service Charge	Total Interest 6% P. A.	FACE VALUE OF NOTE	Monthly Payment 11 Mos.	12th Payment
$ 200	$ 4.61	$ 6.37	$ 210.98	$ 17.59	$ 17.49
250	5.73	7.99	263.72	21.98	21.94
300	6.87	9.59	316.46	26.38	26.28
350	8.01	11.19	369.20	30.77	30.73
400	9.16	12.78	421.94	35.17	35.07
450	10.30	14.38	474.68	39.56	39.52
500	11.45	15.98	527.43	43.96	43.87
550	12.59	17.58	580.17	48.35	48.32
600	13.75	19.17	632.92	52.75	52.67
650	14.89	20.77	685.66	57.14	57.12
700	16.03	22.37	738.40	61.54	61.46
750	17.18	23.97	791.15	65.93	65.92
800	18.32	25.57	843.89	70.33	70.26
850	19.47	27.16	896.63	74.72	74.71
900	20.61	28.76	949.37	79.12	79.05
950	21.76	30.36	1002.12	83.51	83.51
1000	22.90	31.96	1054.86	87.91	87.85
1050	24.04	33.56	1107.60	92.30	92.30
1100	25.19	35.15	1160.34	96.70	96.64
1150	26.33	36.75	1213.08	101.09	101.09
1200	27.48	38.35	1265.83	105.49	105.44
1250	28.62	39.95	1318.57	109.89	109.78
1300	29.77	41.55	1371.32	114.28	114.24
1350	30.91	43.14	1424.05	118.68	118.57
1400	32.06	44.74	1476.80	123.07	123.03
1450	33.20	46.34	1529.54	127.47	127.37
1500	34.35	47.94	1582.29	131.86	131.83
1550	35.49	49.54	1635.03	136.26	136.17
1600	36.64	51.13	1687.77	140.65	140.62
1650	37.79	52.73	1740.52	145.05	144.97
1700	38.93	54.33	1793.26	149.44	149.42
1750	40.07	55.93	1846.00	153.84	153.76
1800	41.22	57.52	1898.74	158.23	158.21
1850	42.37	59.12	1951.49	162.63	162.56
1900	43.51	60.72	2004.23	167.02	167.01
1950	44.65	62.32	2056.97	171.42	171.35
2000	45.80	63.92	2109.72	175.81	175.81
2050	46.95	65.51	2162.46	180.21	180.15
2100	48.09	67.11	2215.20	184.60	184.60
2150	49.23	68.71	2267.94	189.00	188.94
2200	50.38	70.31	2320.69	193.40	193.29
2250	51.52	71.91	2373.43	197.79	197.74
2300	52.67	73.50	2426.17	202.19	202.08
2350	53.81	75.10	2478.91	206.58	206.53
2400	54.96	76.70	2531.66	210.98	210.88
2450	56.10	78.30	2584.40	215.37	215.33
2500	57.24	79.90	2637.14	219.77	219.67
3000	68.70	95.87	3164.57	263.72	263.65
4000	91.60	127.84	4219.44	351.62	351.62
5000	114.50	159.80	5274.30	439.53	439.47

PERSONAL INSTALMENT LOANS PLAN 2

15 MONTHS - FACE VALUE OF NOTE AND MONTHLY PAYMENT

NET PROCEEDS TAKEN BY BORROWER	Total Service Charge	Total Interest 6% p.a.	FACE VALUE OF NOTE	Monthly Payment 14 Mos.	15th Payment
100	2.86	3.94	106.80	7.12	7.12
150	4.29	5.91	160.20	10.68	10.68
200	5.72	7.87	213.59	14.24	14.23
250	7.15	9.84	266.99	17.80	17.79
300	8.57	11.82	320.39	21.36	21.35
350	10.00	13.79	373.79	24.92	24.91
400	11.43	15.75	427.18	28.48	28.46
450	12.86	17.72	480.58	32.04	32.02
500	14.28	19.70	533.98	35.60	35.58
550	15.71	21.67	587.38	39.16	39.14
600	17.14	23.63	640.77	42.72	42.69
650	18.57	25.60	694.17	46.28	46.25
700	20.00	27.57	747.57	49.84	49.81
750	21.43	29.54	800.97	53.40	53.37
800	22.86	31.50	854.36	56.96	56.92
850	24.29	33.47	907.76	60.52	60.48
900	25.71	35.45	961.16	64.08	64.04
950	27.14	37.42	1014.56	67.64	67.60
1000	28.57	39.38	1067.95	71.20	71.15
1050	30.00	41.35	1121.35	74.76	74.71
1100	31.43	43.32	1174.75	78.32	78.27
1150	32.86	45.29	1228.15	81.88	81.83
1200	34.29	47.25	1281.54	85.44	85.38
1250	35.72	49.22	1334.94	89.00	88.94
1300	37.14	51.20	1388.34	92.56	92.50
1350	38.57	53.17	1441.74	96.12	96.06
1400	40.00	55.13	1495.13	99.68	99.61
1450	41.43	57.10	1548.53	103.24	103.17
1500	42.85	59.08	1601.93	106.80	106.73
1550	44.28	61.05	1655.33	110.36	110.29
1600	45.71	63.01	1708.72	113.92	113.84
1650	47.14	64.98	1762.12	117.48	117.40
1700	48.57	66.95	1815.52	121.04	120.96
1750	50.00	68.92	1868.92	124.60	124.52
1800	51.43	70.88	1922.31	128.16	128.07
1850	52.86	72.85	1975.71	131.72	131.63
1900	54.28	74.83	2029.11	135.28	135.19
1950	55.71	76.80	2082.51	138.84	138.75
2000	57.13	78.77	2135.90	142.40	142.30
2050	58.56	80.74	2189.30	145.96	145.86
2100	59.99	82.71	2242.70	149.52	149.42
2150	61.42	84.68	2296.10	153.08	152.98
2200	62.85	86.64	2349.49	156.64	156.53
2250	64.28	88.61	2402.89	160.20	160.09
2300	65.70	90.59	2456.29	163.76	163.65
2350	67.13	92.56	2509.69	167.32	167.21
2400	68.56	94.52	2563.08	170.88	170.76
2450	69.99	96.49	2616.48	174.44	174.32
2500	71.41	98.47	2669.88	178.00	177.88
3000	85.70	118.15	3203.85	213.59	213.59
4000	114.27	157.53	4271.80	284.79	284.74
5000	142.83	196.91	5339.74	355.99	355.88

PERSONAL INSTALMENT LOANS PLAN 2

18 MONTHS - FACE VALUE OF NOTE AND MONTHLY PAYMENT

NET PROCEEDS TAKEN BY BORROWER	Total Service Charge	Total Interest 6% p.a.	FACE VALUE OF NOTE	Monthly payment 17 Mos.	18th Payment
$ 500	$ 17.14	$ 23.47	$ 540.61	$ 30.04	$ 29.93
550	18.85	25.82	594.67	33.04	32.99
600	20.56	28.17	648.73	36.05	35.88
650	22.27	30.52	702.79	39.05	38.94
700	23.98	32.87	756.85	42.05	42.00
750	25.70	35.21	810.91	45.06	44.89
800	27.42	37.56	864.98	48.06	47.96
850	29.13	39.91	919.04	51.06	51.02
900	30.84	42.26	973.10	54.07	53.91
950	32.56	44.60	1027.16	57.07	56.97
1000	34.27	46.95	1081.22	60.07	60.03
1050	35.98	49.30	1135.28	63.08	62.92
1100	37.69	51.65	1189.34	66.08	65.98
1150	39.41	53.99	1243.40	69.08	69.04
1200	41.12	56.34	1297.46	72.09	71.93
1250	42.83	58.69	1351.52	75.09	74.99
1300	44.54	61.04	1405.58	78.09	78.05
1350	46.25	63.39	1459.64	81.10	80.94
1400	47.97	65.73	1513.70	84.10	84.00
1450	49.68	68.08	1567.76	87.10	87.06
1500	51.39	70.43	1621.82	90.11	89.95
1550	53.11	72.78	1675.89	93.11	93.02
1600	54.83	75.12	1729.95	96.11	96.08
1650	56.54	77.47	1784.01	99.12	98.97
1700	58.25	79.82	1838.07	102.12	102.03
1750	59.96	82.17	1892.13	105.12	105.09
1800	61.67	84.51	1946.18	108.13	107.97
1850	63.39	86.86	2000.25	111.13	111.04
1900	65.10	89.21	2054.31	114.13	114.10
1950	66.81	91.56	2108.37	117.14	116.99
2000	68.53	93.90	2162.43	120.14	120.05
2050	70.24	96.25	2216.49	123.14	123.11
2100	71.95	98.60	2270.55	126.15	126.00
2150	73.66	100.95	2324.61	129.15	129.06
2200	75.38	103.29	2378.67	132.15	132.12
2250	77.09	105.64	2432.73	135.16	135.01
2300	78.81	107.99	2486.80	138.16	138.08
2350	80.52	110.34	2540.86	141.16	141.14
2400	82.24	112.68	2594.92	144.17	144.03
2450	83.95	115.03	2648.98	147.17	147.09
2500	85.66	117.38	2703.04	150.17	150.15
2550	87.36	119.73	2757.09	153.18	153.03
2600	89.09	122.07	2811.16	156.18	156.10
2650	90.80	124.42	2865.22	159.18	159.16
2700	92.51	126.77	2919.28	162.19	162.05
2750	94.22	129.12	2973.34	165.19	165.11
2800	95.93	131.47	3027.40	168.19	168.17
2850	97.65	133.81	3081.46	171.20	171.06
2900	99.36	136.16	3135.52	174.20	174.12
2950	101.07	138.51	3189.58	177.20	177.18
3000	102.78	140.86	3243.64	180.21	180.07
4000	137.05	187.81	4324.86	240.27	240.27
5000	171.31	234.76	5406.07	300.34	300.29

PERSONAL INSTALMENT LOANS PLAN 2

21 MONTHS - FACE VALUE OF NOTE AND MONTHLY PAYMENT

NET PROCEEDS TAKEN BY BORROWER	Total Service Charge	Total Interest 6% p. a.	FACE VALUE OF NOTE	Monthly Payment 20 Mos.	21st Pay-ment
500	20.07	27.21	547.28	26.07	25.88
550	22.08	29.93	602.01	28.68	28.41
600	24.09	32.64	656.73	31.28	31.13
650	26.10	35.36	711.46	33.89	33.66
700	28.10	38.09	766.19	36.49	36.39
750	30.11	40.81	820.92	39.10	38.92
800	32.11	43.53	875.64	41.70	41.64
850	34.12	46.25	930.37	44.31	44.17
900	36.13	48.97	985.10	46.91	46.90
950	38.14	51.69	1039.83	49.52	49.43
1000	40.14	54.41	1094.55	52.13	51.95
1050	42.15	57.13	1149.28	54.74	54.48
1100	44.16	59.85	1204.01	57.35	57.01
1150	46.17	62.57	1258.74	59.96	59.54
1200	48.17	65.29	1313.46	62.56	62.26
1250	50.18	68.01	1368.19	65.17	64.79
1300	52.19	70.73	1422.92	67.77	67.52
1350	54.20	73.45	1477.65	70.38	70.05
1400	56.20	76.17	1532.37	72.98	72.77
1450	58.21	78.89	1587.10	75.59	75.30
1500	60.21	81.62	1641.83	78.20	77.83
1550	62.22	84.34	1696.56	80.81	80.36
1600	64.23	87.05	1751.28	83.41	83.08
1650	66.24	89.77	1806.01	86.02	85.61
1700	68.24	92.50	1860.74	88.62	88.34
1750	70.25	95.22	1915.47	91.23	90.87
1800	72.25	97.94	1970.19	93.83	93.59
1850	74.26	100.66	2024.92	96.44	96.12
1900	76.27	103.38	2079.65	99.04	98.85
1950	78.28	106.10	2134.38	101.65	101.38
2000	80.28	108.82	2189.10	104.25	104.10
2050	82.29	111.54	2243.83	106.86	106.63
2100	84.30	114.26	2298.56	109.47	109.16
2150	86.31	116.98	2353.29	112.08	111.69
2200	88.31	119.70	2408.01	114.68	114.41
2250	90.32	122.42	2462.74	117.29	116.94
2300	92.33	125.14	2517.47	119.89	119.67
2350	94.34	127.86	2572.20	122.50	122.20
2400	96.34	130.58	2626.92	125.10	124.92
2450	98.35	133.30	2681.65	127.71	127.45
2500	100.35	136.03	2736.38	130.32	129.98
2550	102.36	138.75	2791.11	132.93	132.51
2600	104.37	141.46	2845.83	135.53	135.23
2650	106.38	144.18	2900.56	138.14	137.76
2700	108.38	146.91	2955.29	140.74	140.49
2750	110.39	149.63	3010.02	143.35	143.02
2800	112.39	152.35	3064.74	145.95	145.74
2850	114.40	155.07	3119.47	148.56	148.27
2900	116.41	157.79	3174.20	151.16	151.00
2950	118.42	160.51	3228.93	153.77	153.53
3000	120.42	163.23	3283.65	156.37	156.25
4000	160.55	217.64	4378.19	208.49	208.39
5000	200.69	272.05	5472.74	260.61	260.54

PERSONAL INSTALMENT LOANS PLAN 2

24 MONTHS - FACE VALUE OF NOTE AND MONTHLY PAYMENT

NET PROCEEDS TAKEN BY BORROWER	Total Service Charge	Total Interest 6% p.a.	FACE VALUE OF NOTE	Monthly Payment 23 Mos.	24th Payment
$ 500	$ 23.03	$ 30.99	$ 554.02	$ 23.09	$ 22.95
550	25.33	34.09	609.42	25.40	25.22
600	27.63	37.19	664.82	27.71	27.49
650	29.94	40.29	720.23	30.01	30.00
700	32.25	43.38	775.63	32.32	32.27
750	34.55	46.48	831.03	34.63	34.54
800	36.85	49.58	886.43	36.94	36.81
850	39.15	52.68	941.83	39.25	39.08
900	41.45	55.78	997.23	41.56	41.35
950	43.76	58.88	1052.64	43.86	43.86
1000	46.06	61.98	1108.04	46.17	46.13
1050	48.36	65.08	1163.44	48.48	48.40
1100	50.67	68.17	1218.84	50.79	50.67
1150	52.97	71.27	1274.24	53.10	52.94
1200	55.27	74.37	1329.64	55.41	55.21
1250	57.58	77.47	1385.05	57.72	57.49
1300	59.88	80.57	1440.45	60.02	59.99
1350	62.18	83.67	1495.85	62.33	62.26
1400	64.48	86.77	1551.25	64.64	64.53
1450	66.78	89.87	1606.65	66.95	66.80
1500	69.08	92.97	1662.05	69.26	69.07
1550	71.40	96.06	1717.46	71.57	71.35
1600	73.70	99.16	1772.86	73.87	73.85
1650	76.00	102.26	1828.26	76.18	76.12
1700	78.30	105.36	1883.66	78.49	78.39
1750	80.60	108.46	1939.06	80.80	80.66
1800	82.90	111.56	1994.46	83.11	82.93
1850	85.21	114.66	2049.87	85.42	85.21
1900	87.51	117.76	2105.27	87.72	87.71
1950	89.82	120.85	2160.67	90.03	89.98
2000	92.12	123.95	2216.07	92.34	92.25
2050	94.42	127.05	2271.47	94.65	94.52
2100	96.72	130.15	2326.87	96.96	96.79
2150	99.03	133.25	2382.28	99.27	99.07
2200	101.33	136.35	2437.68	101.57	101.57
2250	103.63	139.45	2493.08	103.88	103.84
2300	105.93	142.55	2548.48	106.19	106.11
2350	108.23	145.65	2603.88	108.50	108.38
2400	110.54	148.74	2659.28	110.81	110.65
2450	112.85	151.84	2714.69	113.12	112.93
2500	115.15	154.94	2770.09	115.43	115.20
2550	117.45	158.04	2825.49	117.73	117.70
2600	119.75	161.14	2880.89	120.04	119.97
2650	122.05	164.24	2936.29	122.35	122.24
2700	124.35	167.34	2991.69	124.66	124.51
2750	126.66	170.44	3047.10	126.97	126.79
2800	128.96	173.54	3102.50	129.28	129.06
2850	131.26	176.64	3157.90	131.58	131.56
2900	133.57	179.73	3213.30	133.89	133.83
2950	135.87	182.83	3268.70	136.20	136.10
3000	138.17	185.93	3324.10	138.51	138.37
4000	184.17	247.91	4432.08	184.67	184.67
5000	230.17	309.88	5540.05	230.83	230.96

PERSONAL INSTALMENT LOANS PLAN 2
27 MONTHS - FACE VALUE OF NOTE AND MONTHLY PAYMENT

NET PROCEEDS TAKEN BY BORROWER	Total Service Charge	Total Interest 6% p. a.	FACE VALUE OF NOTE	Monthly payment 26 Mos.	27th payment
500	25.81	34.79	560.60	20.77	20.58
550	28.40	38.26	616.66	22.85	22.56
600	30.97	41.74	672.71	24.92	24.79
650	33.56	45.21	728.77	27.00	26.77
700	36.13	48.70	784.83	29.07	29.01
750	38.72	52.17	840.89	31.15	30.99
800	41.29	55.66	896.95	33.23	32.97
850	43.88	59.13	953.01	35.31	34.95
900	46.45	62.62	1009.07	37.38	37.19
950	49.04	66.09	1065.13	39.46	39.17
1000	51.61	69.58	1121.19	41.53	41.41
1050	54.20	73.05	1177.25	43.61	43.39
1100	56.77	76.54	1233.31	45.69	45.37
1150	59.36	80.01	1289.37	47.77	47.35
1200	61.94	83.49	1345.43	49.84	49.59
1250	64.53	86.96	1401.49	51.92	51.57
1300	67.10	90.45	1457.55	53.99	53.81
1350	69.69	93.92	1513.61	56.07	55.79
1400	72.26	97.41	1569.67	58.15	57.77
1450	74.85	100.88	1625.73	60.23	59.75
1500	77.42	104.37	1681.79	62.30	61.99
1550	80.01	107.84	1737.85	64.38	63.97
1600	82.58	111.32	1793.90	66.45	66.20
1650	85.17	114.79	1849.96	68.53	68.18
1700	87.74	118.28	1906.02	70.60	70.42
1750	90.33	121.75	1962.08	72.68	72.40
1800	92.90	125.24	2018.14	74.76	74.38
1850	95 49	128.71	2074.20	76.84	76.36
1900	98.06	132.20	2130.26	78.91	78.60
1950	100.65	135.67	2186.32	80.99	80.58
2000	103.21	139.16	2242.37	83.06	82.81
2050	105.80	142.63	2298.43	85.14	84.79
2100	108.37	146.12	2354.49	87.22	86.77
2150	110.96	149.59	2410.55	89.30	88.75
2200	113.54	153.07	2466.61	91.37	90.99
2250	116.13	156.54	2522.67	93.45	92.97
2300	118.70	160.03	2578.73	95.52	95.21
2350	121.29	163.50	2634.79	97.60	97.19
2400	123.86	166.99	2690.85	99.68	99.17
2450	126.45	170.46	2746.91	101.76	101.15
2500	129.02	173.95	2802.97	103.83	103.39
2550	131.61	177.42	2859.03	105.91	105.37
2600	134.18	180.90	2915.08	107.98	107.60
2650	136.77	184.37	2971.14	110.06	109.58
2700	139.34	187.86	3027.20	112.13	111.82
2750	141.93	191.33	3083.26	114.21	113.80
2800	144.50	194.82	3139.32	116.29	115.78
2850	147.09	198.29	3195.38	118.37	117.76
2900	149.66	201.78	3251.44	120.44	120.00
2950	152.25	205.25	3307.50	122.52	121.98
3000	154.82	208.73	3363.55	124.58	124.47
4000	206.42	278.32	4484.74	166.11	165.88
5000	258.03	347.89	5605.92	207.63	207.54

PERSONAL INSTALMENT LOANS PLAN 2

30 MONTHS - FACE VALUE OF NOTE AND MONTHLY PAYMENT

NET PROCEEDS TAKEN BY BORROWER	Total Service Charge	Total Interest 6% p.a.	FACE VALUE OF NOTE	Monthly Payment 29 Mos.	30th Payment
$ 500	$ 28.66	$ 38.70	$ 567.36	$ 18.92	$ 18.68
550	31.52	42.57	624.09	20.81	20.60
600	34.39	46.44	680.83	22.70	22.53
650	37.26	50.31	737.57	24.59	24.46
700	40.12	54.18	794.30	26.48	26.38
750	42.99	58.05	851.04	28.37	28.31
800	45.85	61.92	907.77	30.26	30.23
850	48.72	65.79	964.51	32.16	31.87
900	51.58	69.66	1021.24	34.05	33.79
950	54.45	73.53	1077.98	35.94	35.72
1000	57.31	77.40	1134.71	37.83	37.64
1050	60.18	81.27	1191.45	39.72	39.57
1100	63.04	85.14	1248.18	41.61	41.49
1150	65.91	89.01	1304.92	43.50	43.42
1200	68.77	92.88	1361.65	45.39	45.34
1250	71.64	96.75	1418.39	47.28	47.27
1300	74.51	100.62	1475.13	49.18	48.91
1350	77.37	104.49	1531.86	51.07	50.83
1400	80.24	108.36	1588.60	52.96	52.76
1450	83.10	112.23	1645.33	54.85	54.68
1500	85.97	116.10	1702.07	56.74	56.61
1550	88.83	119.97	1758.80	58.63	58.53
1600	91.70	123.84	1815.54	60.52	60.46
1650	94.56	127.71	1872.27	62.41	62.38
1700	97.43	131.58	1929.01	64.31	64.02
1750	100.29	135.45	1985.74	66.20	65.94
1800	103.16	139.32	2042.48	68.09	67.87
1850	106.02	143.19	2099.21	69.98	69.79
1900	108.89	147.06	2155.95	71.87	71.72
1950	111.76	150.93	2212.69	73.76	73.65
2000	114.62	154.80	2269.42	75.65	75.57
2050	117.49	158.67	2326.16	77.54	77.50
2100	120.35	162.54	2382.89	79.43	79.42
2150	123.22	166.41	2439.63	81.33	81.06
2200	126.08	170.28	2496.36	83.22	82.98
2250	128.95	174.15	2553.10	85.11	84.91
2300	131.81	178.02	2609.83	87.00	86.83
2350	134.68	181.89	2666.57	88.89	88.76
2400	137.54	185.76	2723.30	90.78	90.68
2450	140.41	189.63	2780.04	92.67	92.61
2500	143.27	193.50	2836.77	94.56	94.53
2550	146.14	197.37	2893.51	96.46	96.17
2600	149.01	201.24	2950.25	98.35	98.10
2650	151.87	205.11	3006.98	100.24	100.02
2700	154.74	208.98	3063.72	102.13	101.95
2750	157.60	212.85	3120.45	104.02	103.87
2800	160.47	216.72	3177.19	105.91	105.80
2850	163.33	220.59	3233.92	107.80	107.72
2900	166.20	224.46	3290.66	109.69	109.65
2950	169.06	228.33	3347.39	111.58	111.57
3000	171.93	232.20	3404.13	113.48	113.21
4000	229.24	309.60	4538.84	151.30	151.14
5000	286.54	387.00	5673.54	189.12	189.06

PERSONAL INSTALMENT LOANS PLAN 2

33 MONTHS - FACE VALUE OF NOTE AND MONTHLY PAYMENT

NET PROCEEDS TAKEN BY BORROWER	Total Service Charge	Total Interest 6% p.a.	FACE VALUE OF NOTE	Monthly payment 32 Mos.	33rd Pay-ment
500	31.72	42.45	574.17	17.40	17.37
550	34.90	46.69	631.59	19.14	19.11
600	38.06	50.94	689.00	20.88	20.84
650	41.24	55.18	746.42	22.62	22.58
700	44.41	59.43	803.84	24.36	24.32
750	47.59	63.67	861.26	26.10	26.06
800	50.76	67.91	918.67	27.84	27.79
850	53.94	72.15	976.09	29.58	29.53
900	57.10	76.40	1033.50	31.32	31.26
950	60.28	80.64	1090.92	33.06	33.00
1000	63.44	84.90	1148.34	34.80	34.74
1050	66.62	89.14	1205.76	36.54	36.48
1100	69.79	93.38	1263.17	38.28	38.21
1150	72.97	97.62	1320.59	40.02	39.95
1200	76.13	101.88	1378.01	41.76	41.69
1250	79.31	106.12	1435.43	43.50	43.43
1300	82.48	110.36	1492.84	45.24	45.16
1350	85.66	114.60	1550.26	46.98	46.90
1400	88.82	118.86	1607.68	48.72	48.64
1450	92.00	123.10	1665.10	50.46	50.38
1500	95.16	127.35	1722.51	52.20	52.11
1550	98.34	131.59	1779.93	53.94	53.85
1600	101.50	135.84	1837.34	55.68	55.58
1650	104.68	140.08	1894.76	57.42	57.32
1700	107.85	144.33	1952.18	59.16	59.06
1750	111.03	148.57	2009.60	60.90	60.80
1800	114.20	152.81	2067.01	62.64	62.53
1850	117.38	157.05	2124.43	64.38	64.27
1900	120.54	161.30	2181.84	66.12	66.00
1950	123.72	165.54	2239.26	67.86	67.74
2000	126.88	169.79	2296.67	69.60	69.47
2050	130.06	174.03	2354.09	71.34	71.21
2100	133.23	178.27	2411.50	73.08	72.94
2150	136.41	182.51	2468.92	74.82	74.68
2200	139.57	186.77	2526.34	76.56	76.42
2250	142.75	191.01	2583.76	78.30	78.16
2300	145.92	195.25	2641.17	80.04	79.89
2350	149.10	199.49	2698.59	81.78	81.63
2400	152.26	203.75	2756.01	83.52	83.37
2450	155.44	207.99	2813.43	85.26	85.11
2500	158.60	212.24	2870.84	87.00	86.84
2550	161.78	216.48	2928.26	88.74	88.58
2600	164.94	220.73	2985.67	90.48	90.31
2650	168.12	224.97	3043.09	92.22	92.05
2700	171.29	229.22	3100.51	93.96	93.79
2750	174.47	233.46	3157.93	95.70	95.53
2800	177.64	237.70	3215.34	97.44	97.26
2850	180.82	241.94	3272.76	99.18	99.00
2900	183.98	246.19	3330.17	100.92	100.73
2950	187.16	250.43	3387.59	102.66	102.47
3000	190.32	254.68	3445.00	104.40	104.20
4000	253.76	339.57	4593.33	139.20	138.93
5000	317.20	424.46	5741.66	173.99	173.98

PERSONAL INSTALMENT LOANS PLAN 2

36 MONTHS - FACE VALUE OF NOTE AND MONTHLY PAYMENT

NET PROCEEDS TAKEN BY BORROWER	Total Service Charge	Total Interest 6% p.a.	FACE VALUE OF NOTE	Monthly payment 35 Mos.	36th Payment
500	34.74	46.30	581.04	16.14	16.14
550	38.22	50.92	639.14	17.75	17.89
600	41.68	55.56	697.24	19.37	19.29
650	45.16	60.18	755.34	20.98	21.04
700	48.63	64.81	813.44	22.60	22.44
750	52.11	69.43	871.54	24.21	24.19
800	55.57	74.08	929.65	25.83	25.60
850	59.05	78.70	987.75	27.44	27.35
900	62.52	83.34	1045.86	29.06	28.76
950	66.00	87.96	1103.96	30.67	30.51
1000	69.47	92.60	1162.07	32.28	32.27
1050	72.95	97.22	1220.17	33.89	34.02
1100	76.42	101.86	1278.28	35.51	35.43
1150	79.90	106.48	1336.38	37.12	37.18
1200	83.36	111.12	1394.48	38.74	38.58
1250	86.84	115.74	1452.58	40.35	40.33
1300	90.31	120.38	1510.69	41.97	41.74
1350	93.79	125.00	1568.79	43.58	43.49
1400	97.26	129.63	1626.89	45.20	44.89
1450	100.74	134.25	1684.99	46.81	46.64
1500	104.21	138.90	1743.11	48.42	48.41
1550	107.69	143.52	1801.21	50.03	50.16
1600	111.15	148.16	1859.31	51.65	51.56
1650	114.63	152.78	1917.41	53.26	53.31
1700	118.10	157.41	1975.51	54.88	54.71
1750	121.58	162.03	2033.61	56.49	56.46
1800	125.04	166.68	2091.72	58.11	57.87
1850	128.52	171.30	2149.82	59.72	59.62
1900	131.99	175.94	2207.93	61.34	61.03
1950	135.47	180.56	2266.03	62.95	62.78
2000	138.93	185.20	2324.13	64.56	64.53
2050	142.41	189.82	2382.23	66.17	66.28
2100	145.88	194.46	2440.34	67.79	67.69
2150	149.36	199.08	2498.44	69.40	69.44
2200	152.82	203.72	2556.54	71.02	70.84
2250	156.30	208.34	2614.64	72.63	72.59
2300	159.77	212.98	2672.75	74.25	74.00
2350	163.25	217.60	2730.85	75.86	75.75
2400	166.72	222.23	2788.95	77.48	77.15
2450	170.20	226.85	2847.05	79.09	78.90
2500	173.67	231.50	2905.17	80.70	80.67
2550	177.15	236.12	2963.27	82.31	82.42
2600	180.61	240.76	3021.37	83.93	83.82
2650	184.09	245.38	3079.47	85.54	85.57
2700	187.56	250.01	3137.57	87.16	86.97
2750	191.04	254.63	3195.67	88.77	88.72
2800	194.50	259.28	3253.78	90.39	90.13
2850	197.98	263.90	3311.88	92.00	91.88
2900	201.45	268.54	3369.99	93.62	93.29
2950	204.93	273.16	3428.09	95.23	95.04
3000	208.39	277.80	3486.19	96.84	96.79
4000	277.85	370.39	4648.24	129.12	129.04
5000	347.31	463.00	5810.31	161.40	161.31

Form 113(2)
CHATTEL MORTGAGE (ONTARIO)
Collateral to a Promissory Note

This Indenture

made in duplicate the day of 19

BETWEEN

hereinafter called the MORTGAGOR

and THE TORONTO-DOMINION BANK

hereinafter called the MORTGAGEE

WHEREAS the Mortgagor is indebted to the Mortgagee in the sum of

Dollars ($)

and interest being the amount of Promissory Note(s) made or endorsed by the said Mortgagor in favor of the said Mortgagee true copy(ies) of which is (are) hereunto annexed, for the purpose of securing the due repayment of the said sum, according to the tenor and effect of the said Note(s).

NOW THIS INDENTURE WITNESSETH that the Mortgagor for and in consideration of

Dollars ($)

of lawful money of Canada paid by the Mortgagee to the Mortgagor before the sealing and delivery of these presents (the receipt whereof is hereby acknowledged) has granted, bargained, sold, and assigned and by these Presents DOTH GRANT, bargain, sell, and assign unto the Mortgagee, ALL AND SINGULAR the goods, chattels and property particularly mentioned and set forth in the schedule "A" endorsed hereon or hereunto annexed (all of which are hereinafter referred to as goods and chattels) of the Mortgagor not exempt from seizure under writs of execution within the meaning of the Bank Act, all of which goods and chattels are now ordinarily lying and being in and upon the following lands and premises:

together with all goods and chattels of a like description not exempt from seizure as aforesaid which shall hereafter be brought by the Mortgagor upon the said premises or upon any other premises to which the Mortgagor may remove such goods and chattels or any of them during the continuance of this security or any renewal thereof.

TO HAVE AND TO HOLD ALL AND SINGULAR the said goods and chattels unto the Mortgagee.

TO THE ONLY PROPER USE AND BEHOOF of the Mortgagee FOREVER:

PROVIDED ALWAYS and these Presents are upon this express condition that if the Mortgagor shall pay or cause to be paid unto the mortgagee the sum of

Dollars ($)

and interest in accord with the full tenor and effect of the above recited promissory note or notes and all or any notes in renewal or substitution in whole or part thereof which may be given by the Mortgagor and accepted by the Mortgagee and all damages, costs, charges and expenses which the Mortgagee may incur or disburse by reason of the non-payment when due of the above recited note or notes or any notes in renewal or substitution thereof:

THEN THESE PRESENTS and every matter and thing herein contained shall cease, determine, and be utterly void to all intents and purposes, anything herein contained to the contrary thereof in anywise notwithstanding.

AND the Mortgagor does hereby COVENANT, PROMISE, and AGREE to and with the said Mortgagee that the Mortgagor shall and will warrant and forever defend ALL AND SINGULAR the said goods and chattels unto the Mortgagee against the Mortgagor and against all and every other person and persons whomsoever. And also that the Mortgagor or some or one of them shall and will well and truly pay or cause to be paid unto the Mortgagee the said sum of money mentioned in the above proviso with interest on the same as aforesaid on the day and time and in the manner hereinbefore provided for the payment thereof:

AND ALSO, in case that default shall be made in the payment of the said sum of money or of the interest thereon or any part thereof as hereinbefore provided, or the Mortgagor shall attempt to or shall sell or dispose of or in any way part with the possession of the said goods and chattels or any of them, or to remove the same or any part thereof without the consent of the Mortgagee to such sale, removal, or disposal thereof, first had and obtained in writing or in case the Mortgagee feels unsafe or insecure or deems said goods and chattels in danger of being sold or removed, THEN and in every such case the whole of the money secured by this Indenture shall immediately thereon become due and payable, and it shall and may be lawful for the Mortgagee or its servant or servants and with such other assistant or assistants as it may require at any time during the day or night to enter in or upon any lands, tenements, houses, and premises wheresoever and whatsoever where the said goods and chattels or any part thereof may be and for such person or persons to break and force open any doors, locks, bars, fastenings, hinges, gates, fences, houses, buildings, enclosures, and places for the purpose of taking possession of and removing the said goods and chattels; and upon and from and after the taking possession of such goods and chattels as aforesaid it shall and may be lawful for the Mortgagee and each or any of them is and are hereby authorized and empowered to sell the said goods and chattels or any of them or any part thereof at public auction or private sale as to them or any of them may seem advisable; and from and out of the proceeds of such sale in the first place to pay and reimburse itself or themselves all such sum or sums of money as may be secured by virtue of these Presents, and all such expenses as may have been incurred by the Mortgagee in consequence of the action, default, neglect, failure, or attempt of the Mortgagor as aforesaid or in consequence of such action of the Mortgagee, and in the next place pay unto the Mortgagor all such surplus as may remain after such sale and after payment of all such sum or sums of money and interest thereon as may be secured by these Presents at the time of such seizure and after payment of the costs, charges, and expenses incurred by such seizure and sale as aforesaid: AND IT IS HEREBY UNDERSTOOD AND AGREED that in case default shall be made in the payment of any of the said sums of principal or interest then interest shall continue to be payable at the rate aforesaid thereon from the maturity thereof until the same shall be fully paid.

PROVIDED ALWAYS nevertheless that it shall not be incumbent on the Mortgagee to sell and dispose of the said goods and chattels, but that in case of default of payment of said sum of money or the interest thereon as aforesaid or any part thereof, it shall and may be lawful for the Mortgagee peaceably and quietly to take, hold, use, occupy, possess, and enjoy the said goods and chattels without the let, molestation, eviction, hindrance, or interruption of the said Mortgagor or any of them or any other person or persons whomsoever. AND FURTHER that in case the sum of money realized under any such sale as above mentioned shall not be sufficient to pay the whole amount of principal, interest, costs, charges, and expenses according to the provisions of this Indenture, that the Mortgagor shall and will forthwith pay or cause to be paid unto the Mortgagee all such deficiency.

AND FURTHER that the Mortgagor will during the currency of this Mortgage and any and every renewal thereof INSURE and keep insured the goods and chattels hereinbefore mentioned against loss and damage by fire in an Insurance Company authorized to transact business in Canada and approved of by the Mortgagee in the sum of not less than their full insurable value as security for the money secured by this Indenture for the benefit of the said Mortgagee and will pay all premiums and moneys necessary for that purpose as the same become due and payable in respect of such insurance, the loss if any to be payable to the said Mortgagee and the production of this Indenture shall be sufficient authority for and the said Insurance Company is hereby directed thereupon to pay such loss if any to the said Mortgagee. PROVIDED that if the said insurance is not effected or not kept fully renewed and default be made in payment of the said premiums or sums of money by the Mortgagor, the Mortgagee may pay the same and such sums of money shall be added to the debt hereby secured and shall bear interest at the same rate from the day of such payment and shall be repayable with the moneys next falling due under these Presents:

AND FURTHER the said Mortgagor covenants with the said Mortgagee that upon the issue of a writ of summons for a money demand against the Mortgagor or the issue of any writ or writs of execution upon any judgment against the said Mortgagor; or upon the issue of a warrant of distress for any rent or taxes in respect of the premises in or upon which the said goods and chattels or any part thereof may at any time during the currency of this Mortgage or any renewal thereof be situate; or upon the failure to insure and keep insured the said goods and chattels within the meaning of the provisions of this Indenture; or upon the abandonment of the said goods and chattels or any part thereof; or upon the making of any assignment for the benefit of creditors; or upon the arrest of the Mortgagor on any criminal charge, or the issue of writ of capias or a writ of attachment against the said Mortgagor, and so often as any of the said events may happen, all the money secured by this Indenture shall immediately become due and payable and the said Mortgagee shall forthwith be at liberty to take any and all proceedings for the better securing itself and for the enforcing and obtaining payment of the money secured hereby as though default had actually been made in the payment of the money secured hereby or any part thereof. And the said Mortgagor covenants with the said Mortgagee that he will during the currency of this Mortgage and any renewal or renewals thereof keep up the amount of the stock-in-trade in the said premises so that at any time it will not be less than the aforesaid indebtedness if sold by public auction and that if at any time during such period the same be not of such value (as to which the said Mortgagee shall be sole judge) all the money secured by this Indenture shall immediately become due and payable and the said Mortgagee shall thereupon have liberty forthwith to take any and all proceedings for the better securing itself and for the enforcing and obtaining payment of the moneys secured hereby as though default had actually been made in the payment of the moneys secured hereby or any part thereof.

AND the Mortgagor doth put the Mortgagee in full possession of the said goods and chattels by delivering to him at the sealing and delivering hereof this Indenture in the name of all the said goods and chattels. And by way of additional security for the moneys secured hereby and upon the terms of these Presents so far as applicable thereto the Mortgagor doth hereby grant, bargain, sell, assign, transfer, and set over to the Mortgagee all book debts, claims, moneys, demands, mortgages, bills, notes, cheques, judgments, and choses in action both present and future; and also all books and papers both present and future containing entries of or in any wise relating to the same and particularly all such book debts, claims, moneys, demands, mortgages, bills, notes, cheques, judgments, choses in action, books and papers which arose in connection with or are related to or shall hereafter arise in connection with or relate to the business now carried on or which shall hereafter be carried on by the said Mortgagor; AND IT IS HEREBY UNDERSTOOD AND AGREED that these Presents are a collateral security only.

AND it is further understood and agreed by and between the parties hereto that all goods and chattels of a like or similar description to those hereinbefore mentioned which shall hereafter be taken or brought into stock or possession by the Mortgagor during the currency of these Presents, or any renewal thereof, either upon the said premises or upon any other premises to which he may remove his business or a substantial part of his business shall at once upon being so brought into stock or possession become mortgaged hereby without a fresh instrument being executed for that purpose and all such goods are hereby mortgaged.

IT IS HEREBY AGREED that the covenants herein contained on the part of the Mortgagor shall be construed as being several as well as joint, and that this mortgage is given under and is subject to the provisions of Section 78 of the Bank Act.

AND IT IS EXPRESSLY AGREED between the parties hereto that all grants, covenants, agreements, rights, powers, privileges, and liabilities contained in this Mortgage shall be read and held as made by and with and granted to and imposed upon the respective parties hereto and their respective heirs, executors, administrators, successors, and assigns, and these Presents shall be read and construed the same as if the word heirs, executors, administrators, successors, and assigns had been inscribed in all proper and necessary places; and wherever the singular and the masculine are used throughout this Mortgage the same shall be construed as meaning the plural or the feminine or neuter where the context or the parties hereto so require.

IN WITNESS WHEREOF the parties to these Presents have hereunto set their Hands and Seals.

SIGNED, SEALED, AND DELIVERED
In the Presence of

PROVINCE OF
COUNTY OF

TO WIT:

I,
of the of
in the of
make oath and say:

That I was personally present and did see the foregoing Bill of Sale by way of Mortgage duly signed, sealed and delivered by the part thereto and that I know the said part and that of the full age of twenty-one years and that the name set and subscribed as a witness thereto is of the proper handwriting of me, this deponent, that the same was executed at the of in the of on the day of 19 .
And that I am an attesting witness thereto of the due execution of the said Bill of Sale by way of Mortgage.

SWORN before me
at the of
in the of
and Province of
this day of 19

A Commissioner for taking Affidavits.

(To be used in the case of a limited company)

COUNTY OF
TO WIT:

I, , of the
of in the
of , , make
oath and say:

1. I was personally present and did see the foregoing mortgage duly sealed and executed by , one of the parties thereto, under the hands of
and

2. I know the said and and that the and respectively of the said Company, and that the signatures and to the said mortgage are of proper handwriting.

3. By a by-law of the said Company the and are authorized to sign the said mortgage on behalf of the said Company and to affix its corporate seal thereto.

4. The name set and subscribed as a witness to the said signatures, is of the proper handwriting of me, this deponent.

5. The said mortgage was executed at the
of , in the of ,
on the day of , 19 .
SWORN before me
at the
in the
and Province of
this day of , 19 .

A Commissioner for taking Affidavits.

(To be used in the case of a partnership or trade name)

Province of
County of
TO WIT:

I,
of the of
in the Province of , (Occupation),
make oath and say:

1. That I was personally present and did see the foregoing Chattel Mortgage duly signed, sealed and executed by the Mortgagor thereto by the hand(s) of

2. That I know the said
and am satisfied that each is of the full age of twenty-one years and that the name set and subscribed as witness thereto is of the proper handwriting of me, this deponent.

3. That the said Chattel Mortgage was executed by the said party(ies) at the
of in the of
on the day of , 19 ,and that I am an attesting witness thereto of the due execution of the said Chattel Mortgage.

SWORN before me
at the of
in the of
and Province of
this day of
, 19 .

A Commissioner for taking Affidavits.

For such articles as motorized vehicles, machinery, engines, implements, etc., it is advisable to show the trade or manufacturer's name and the serial number if any. IF THE MORTGAGOR IS NOT A FARMER, delete the printed wording and enter thereunder a list of the goods or articles to be covered by the mortgage.

SCHEDULE "A" MENTIONED IN THE WITHIN MORTGAGE

All the horses, cattle, sheep, pigs and poultry together with the increase of any and all such animals, hay, grain, roots and all crops grown or to be grown, and all machinery, implements, tools and equipment, and without in any way limiting the generality of the foregoing, the articles listed hereunder. (See marginal instructions.)

DATED 19

—TO—

THE TORONTO-DOMINION BANK

Branch

Chattel Mortgage

Collateral to Promissory Note(s)

$

PROVINCE OF
COUNTY OF
TO WIT:

I,
of the
in the

Bank Manager, and Agent for the Mortgagee named in the within Bill of Sale by way of Mortgage make oath and say:

THAT the Mortgagor named in the foregoing Bill of Sale by way of Mortgage justly and truly indebted to the Mortgagee named therein in the sum of dollars mentioned therein.

THAT the said Bill of Sale by way of Mortgage was executed in good faith and for the express purpose of securing payment of the money so justly due or accruing due as aforesaid, and not for the purpose of protecting the goods and chattels mentioned in the said Bill of Sale by way of Mortgage against the creditors of the said Mortgagor named therein or of preventing the creditors of said Mortgagor from obtaining payment of any claim against the Mortgagor.

AND THAT I am aware of all the circumstances connected with the said Bill of Sale by way of Mortgage, and have personal knowledge of the facts herein deposed to.

SWORN before me
at the of
in the of
and Province of
this day of 19

A Commissioner for taking Affidavits.

FORM 113(4)

CHATTEL MORTGAGE

Renewal Statement

Statement exhibiting the interest of THE TORONTO-DOMINION BANK (a continuation of The Bank of Toronto and The Dominion Bank) in the property mentioned in the Mortgage dated the day of , 19 , made between

of the of in the

Delete inapplicable names of of the one part and The Toronto-Dominion Bank or The Bank of Toronto or The Dominion Bank of the other part and registered in the office of the Clerk of the Court of the of on the day of 19 ,

Delete if first renewal and renewed by statements registered on the day of 19 , and on the day of 19 , and on the day of 19 , and of the amount due for principal and interest thereon.

Delete inapplicable names the said The Toronto-Dominion Bank
The Bank of Toronto (now continued as The Toronto-Dominion Bank) is still
The Dominion Bank (now continued as The Toronto-Dominion Bank)

the Mortgagee of the said property and has not assigned the said Mortgage.

The amount still due for principal and interest on the said Mortgage is

the sum of $ made up as follows:

Principal, $

Interest, $

Dated at this day of 19

For THE TORONTO-DOMINION BANK

....Manager

....Branch

N.B.—Strict adherence to the marginal notes is required.

(REVISED 1-59)

COUNTY of

To Wit: } I,

of the of

in the County of Bank Manager, Agent

for the Mortgagee named in the Mortgage mentioned in the within statement make oath and say:

1. THAT the within statement is true.
2. THAT the Mortgage mentioned in the said statement has not been kept on foot for any fraudulent purpose.
3. THAT I am aware of all the circumstances connected with the Mortgage and have personal knowledge of the facts deposed to.

SWORN before me at the
of in the
of this
day of 19

A Commissioner for taking Affidavits, etc.

Dated 19

To

THE TORONTO-DOMINION BANK

Renewal of Chattel Mortgage

STATEMENT AND AFFIDAVIT

36 MONTHS —— 36 MONTHS

TERM - 36 MONTHS

COST OF AMOUNT LOANED
$5.60 per Annum per $100
(To Be Inserted in Promissory Note)

REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT	REQUIRED PROCEEDS AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT	REQUIRED PROCEEDS (AMOUNT LOANED)	COST OF AMOUNT LOANED	MONTHLY PAYMENT
1	.17	.03	51	8.57	1.65	200	33.60	6.49
2	.34	.06	52	8.74	1.69	300	50.40	9.73
3	.50	.10	53	8.90	1.72	400	67.20	12.98
4	.67	.13	54	9.07	1.75	500	84.00	16.22
5	.84	.16	55	9.24	1.78	600	100.80	19.47
6	1.01	.19	56	9.41	1.82	700	117.60	22.71
7	1.18	.23	57	9.58	1.85	800	134.40	25.95
8	1.34	.26	58	9.74	1.88	900	151.20	29.20
9	1.51	.29	59	9.91	1.91	1000	168.00	32.44
10	1.68	.32	60	10.08	1.95	1100	184.80	35.69
11	1.85	.36	61	10.25	1.98	1200	201.60	38.93
12	2.02	.39	62	10.42	2.01	1300	218.40	42.18
13	2.18	.42	63	10.58	2.04	1400	235.20	45.42
14	2.35	.45	64	10.75	2.08	1500	252.00	48.67
15	2.52	.49	65	10.92	2.11	1600	268.80	51.91
16	2.69	.52	66	11.09	2.14	1700	285.60	55.15
17	2.86	.55	67	11.26	2.17	1800	302.40	58.40
18	3.02	.58	68	11.42	2.21	1900	319.20	61.64
19	3.19	.62	69	11.59	2.24	2000	336.00	64.89
20	3.36	.65	70	11.76	2.27	2100	352.80	68.13
21	3.53	.68	71	11.93	2.30	2200	369.60	71.38
22	3.70	.71	72	12.10	2.33	2300	386.40	74.62
23	3.86	.75	73	12.26	2.37	2400	403.20	77.86
24	4.03	.78	74	12.43	2.40	2500	420.00	81.11
25	4.20	.81	75	12.60	2.43	2600	436.80	84.35
26	4.37	.84	76	12.77	2.46	2700	453.60	87.60
27	4.54	.88	77	12.94	2.50	2800	470.40	90.84
28	4.70	.91	78	13.10	2.53	2900	487.20	94.09
29	4.87	.94	79	13.27	2.56	3000	504.00	97.33
30	5.04	.97	80	13.44	2.59	3100	520.80	100.58
31	5.21	1.01	81	13.61	2.63	3200	537.60	103.82
32	5.38	1.04	82	13.78	2.66	3300	554.40	107.06
33	5.54	1.07	83	13.94	2.69	3400	571.20	110.31
34	5.71	1.10	84	14.11	2.72	3500	588.00	113.55
35	5.88	1.14	85	14.28	2.76	3600	604.80	116.80
36	6.05	1.17	86	14.45	2.79	3700	621.60	120.04
37	6.22	1.20	87	14.62	2.82	3800	638.40	123.29
38	6.38	1.23	88	14.78	2.85	3900	655.20	126.53
39	6.55	1.27	89	14.95	2.89	4000	672.00	129.78
40	6.72	1.30	90	15.12	2.92	4100	688.80	133.02
41	6.89	1.33	91	15.29	2.95	4200	705.60	136.26
42	7.06	1.36	92	15.46	2.98	4300	722.40	139.51
43	7.22	1.39	93	15.62	3.02	4400	739.20	142.75
44	7.39	1.43	94	15.79	3.05	4500	756.00	146.00
45	7.56	1.46	95	15.96	3.08	4600	772.80	149.24
46	7.73	1.49	96	16.13	3.11	4700	789.60	152.49
47	7.90	1.52	97	16.30	3.15	4800	806.40	155.73
48	8.06	1.56	98	16.46	3.18	4900	823.20	158.97
49	8.23	1.59	99	16.63	3.21	5000	840.00	162.22
50	8.40	1.62	100	16.80	3.24			

No. 1003 ('60)

THE BANK OF NOVA SCOTIA

Scotia Plan Loan

Promissory Note

______________________ Place

______________________ Date

(NAMES)

(ADDRESSES)

For value received I promise to pay to The Bank of Nova Scotia or order at its

______________________ Branch

the sum of ______________________ dollars

which is the amount loaned (receipt of which is hereby acknowledged) plus the cost of the amount loaned (made up of interest at the rate of 6% per annum and an administrative charge, together totalling $______ per annum per $100.00 of the amount loaned)

by instalments as follows:

the sum of $__________ on the__________ day of each of______ consecutive months commencing ______________________

or of each of the months of ______________________

and the sum of $__________ on ______________________

Upon default in payment when due of any instalment or any part thereof, the whole balance of the amount of the note shall fall due and be payable with interest at the rate of 6% per annum on any defaulted payment from the date of default until payment.

Amount Loaned . . . $__________

Cost of Amount Loaned $__________

Amount of Note . . . $__________

____

____

and I checked on Mr. Lofquist's data and in the case of the Canadian Imperial Bank of Commerce, the man who wanted to borrow $400 would, in fact, get $409.50 because they reverse the process, and would pay $25.00 a month. This is roughly the same and I made the same computation with a $600 loan and in the Bank of Commerce the borrower would get $609.12 and would pay $54.00 a month and under your scheme, as I understand it, he would get the precise $600 and pay $53.00 a month. So it works out about the same. So taking those examples, if I checked the two schedules they would be about parallel, your actuarial rate would be about the same as the competing banks. Somewhere around 9.9.

MR. DIXON: May I clarify the point and say that in determining the gross yield on the funds employed by the bank in any particular loan or in the whole portfolio, the gross yield on those funds employed, part of which is interest and part of which is the service charge, that under our scheme or under the manner in which we state our charges,for a 12 month term the gross yield between interest and commission accounts is 11.07.

MR. SEDGWICK: I see.

MR. DIXON: At least that is the way I interpret an actuarial --

MR. SEDGWICK: But in any event, relying on the figures as I have quoted them, the effective rate, however it is to be computed, for your bank would be about the same --

MR. DIXON: Yes. You will recall in the CBA submission there was a range of charges there.

MR. SEDGWICK: Yes, I recall that very well, depending on how you did your sums. One other question , sir, what is your loss experience been since you have been in the business?

MR. DIXON: I can put it this way to you. Our loss experience has been just below what is usually referred to as the industry average.

MR. SEDGWICK: I see. Somebody said about a quarter of 1%, do you do better than that?

MR. DIXON: Better -- which is better -- no, I think our loss percentages are somewhat higher than that.

MR. SEDGWICK: Higher than that. Still less than half of one percent?

MR. DIXON: Somewhat below the range of the industry experience, yes.

MR. SEDGWICK: I see. Just as a matter of curiosity, Mrs. Dell showed me an advertisement of your bank which reads: "To get a Scotia Loan just dial their loan service -- call Empire 3-2161 any time of the day or night". I think the Committee might be interested in knowing just how that works.

MR. DIXON: Well, during the hours of eight in the morning until ten at night that special switchboard is staffed by experienced telephone interviewers, who will, over the phone, acquire the basic information we require to come to a loan decision. And the they pass that verified information on to the

branch of the customer's choice and in most cases the loan will be granted. From the hours of ten in the evening until eight in the morning there is an automatic transcribed hooked up to the telephone system. A person may put his name and address and some other vital information on a record tape and we will process it the next morning.

MR. SEDGWICK: So that there is an absolute minimum of red tape in connection with it?

MR. DIXON: We try to keep that down.

MR. SEDGWICK: Then I see that your brief says that most of your loans are secured. The Canadian Imperial Bank of Commerce said that over 50% of their loans were not secured by guarantees or mortgages or chattels or otherwise. When you say most of your loans, percentagewise about how much is most?

MR. DIXON: In our particular case in our operation, analyzing the volume of loans made, that is, the loans that are going on the books, 90% of our loans are secured.

MR. SEDGWICK: By a chattel mortgage?

MR. DIXON: Or an assignment of a conditional sales contract.

MR. SEDGWICK: I see. Not as a rule by guarantors other than the borrower?

MR. DIXON: Of the dollars lent there is only, less than 5% are secured by the guarantee.

MR. SEDGWICK: I see. Those are all my questions.

THE CHAIRMAN: Mr. Lawrence?

[illegible]

MR. LAWRENCE: Yes. I've been intrigued by this dial loan service. What's the purpose of it mainly as far as the bank is concerned, other than to get into the automobile business in the evening, or what?

MR. DIXON: We have found in Toronto itself -- and this is only a pilot operation in Toronto -- it doesn't apply to other centres. Of course, there is now the toll charges and so on and direct distance dialing, I suppose anyone could phone if they knew the area code and so on -- but here in particular, Toronto being a highly industrialized centre, there are many people, citizens of the City, who do not work, shall we say, in the daytime hours, 8 to 4 or 9 to 5, whatever it may be. And consequently it is sometimes awkward and difficult for them to get into the bank to apply for a loan. So we are extending, shall we say, our facilities to people who cannot or do not find it convenient or even let alone cannot get the time off work to come into the bank and carry out their borrowing business.

MR. LAWRENCE: Let me put it to you this way -- this thing has only been in operation for what?

MR. DIXON: Two months.

MR. LAWRENCE: Two months. What's the main purpose for the loan?

MR. DIXON: Can be to consolidate debts, can be to buy a car, can be to buy furniture --

MR. LAWRENCE: (Inaudible)

MR. DIXON: Well, let's put it this way. We have seen no change in the basic analysis of the purpose of loans in Toronto or anywhere else as a result of this service.

MR. LAWRENCE: I think it's a good idea. I think it is quite an imaginative thing and worthwhile for you to get into this thing.

Again, this Scotia Plan, would the percentage of credit advanced through this, would it be a very small percentage of the overall loans made by the bank.

MR. DIXON: Well, that is the function for which I am primarily responsible, so I am forced to say it is an important percentage.

MR. LAWRENCE: You don't particularly want to tell us what percentage?

MR. DIXON: Beyond being an important total of our Canadian dollar loans, I would not care to say.

MR. LAWRENCE: Oh, well, it's not important anyway. Thank you.

THE CHAIRMAN: Mr. Irwin:

MR. IRWIN: Yes, Mr. Chairman. Mr. Dixon, don't think I am about to be critical, but Mr. Lofquist yesterday was good enough not to discuss and or express some views on the problems of this Committee which is seeking to find some way of getting a common yardstick by which shoppers or seekers for credit can evaluate the different proposals made to them. So in that light, referring to your Exhibit B, the promissory

note, about the middle of the note in brackets you describe the cost of the loan made up of interest at the rate of 6% per annum and an administrative charge, together totalling X dollars. This, on the face of it, appears to be a very satisfactory statement and it would leave the impression, I would think, to the average borrower, that he was paying 6% for the money plus some administrative fees. But here is the crux of the whole thing. The people who come before us who have second mortgage propositions say the same thing -- we are charging 7% plus some fees. But we find when we put the whole package together that some rather staggering rates of percent of interest develop. And, while I am not suggesting that your administrative charges are in any way exhorbitant, it's up to you to decide what they should be, but here is a great area of ambiguity, which, in my opinion, leaves the borrower somewhat at a loss to evaluate what he really is paying from what is stated that he is being paid.

MR. DIXON: May I just help you for a minute in describing this note you were reading here where it says "together totalling". Now may I refer you to Exhibit A, which is a rate chart and in the upper righthand corner of each page it says "cost of amount loaned". In the case of a 6 months term, you see, it says $6.00 per $100 per annum to be inserted in the promissory note. That is where the $6.00 in the case of a 12 month or the $5.80 in the case of 24, and so on, is inserted. It is our belief that this basis of comparison, that whether the dollar cost per 100 is

$7.00 per 100 or $6.00 per 100 or $4.00 per 100, it would be the basis of providing what we think is an adequate basis of comparison for the seeker or user of credit.

MR. IRWIN: Well, this is the view expressed. I would like to pursue that thought further. I have been aware of your Exhibit A and have compared it, as Mr. Sedgwick did, with the schedule of similar schedules prepared by the Canadian Bank of Commerce and also those prepared by the Toronto Dominion Bank and let's say they seem to be in the same range. There are small variations and, as Mr. Lofquist agreed yesterday, when he reduced this by any one of three normal formulas, you come to a percentage. The effective rate of interest is somewhere in the order of 11% to 11½% --

MR. DIXON: Effective rate of cost, please.

MR. IRWIN: All right, effective rate of cost. Then -- so I make the point about the promissory note that while it is a very nicely drawn up presentation, it still leaves us, and I think the borrower, in some doubt as to how he could compare your proposition with somebody elses.

MR. DIXON: Well, I do believe that we are the only bank that are expressing the charges in this manner and I think the suggestions, the disclosures, and so on we have made through this brief, could be considered as a mild recommendation or suggestion that this might be a workable basis for comparison.

If other organizations chose to adopt it or were otherwise, by some means, required to demonstrate it.

MR. IRWIN: Well, in carrying that thought on to your page 8, where throughout the page you suggest that the information you are presenting is all the borrower wants to know, at the top of the page.

MR. DIXON: Yes.

MR. IRWIN: That you feel what you are giving amounts to full disclosure and that in our enlightened society that all costs or charges for loans, particularly those loans made in instalments, are interest. You object to this lumping together as interest.

MR. DIXON: Yes.

MR. IRWIN: In my view, at any rate, these appear to be valid statements, except that whether you can split up the fundamental components of a cost of money, as you did on page 6, and in some cases say we will include those as part of interest and we will include those not as part of interest. The fact of the matter is that to the average person in our enlightened society, I think the term interest includes the total cost of money. In the vernacular, maybe not in the --

MR. DIXON: Well, this is the point that we would not like to continue. Speaking personally I think this is something that has been going on since prehistoric times. I have to feel that the consumer sector of the economy is one which is gaining momentum,

which is being recognized at all levels of study and insofar as the consumer and his borrowing habits, his needs and what he requires to know, what he wants to know, it is something that is developing as evidenced by the formation of this Committee. This is a vital sector. I think it can be said that we are suggesting here that in the consumer sector of the economy, insofar as his borrowing or credit transactions are concerned, that he is primarily concerned with dollar costs rather than percentage cost. He earns his income in dollars. He spends his income in dollars, he doesn't earn percentages and he doesn't spend percentages. Now, if we move into the commercial sector of the economy, they have been interest-oriented, that is a commercial organization in its borrowing and habits, in its financial transactions, it is familiar with the, may I say, age-old concepts or connotations of the word interest. But here again we have many factors entering into the cost of borrowing, whether it's a corporation or a government, but the interest rate there does not mean what it did mean many years ago. When a commercial company is, say, floating a bond issue, the particular bond issue may be carrying a coupon rate, they may or may not have been issued at a discount, so the total cost to the people who are borrowing the money is not necessarily reflected in the interest rate.

MR. IRWIN: This is all very interesting, but why does it matter if interest is a good word to describe the total cost of money, why not use it. It may not be economically or academically correct,

but it is a recognized term. And I don't see that it makes much difference what word you use. If interest is a good word and it's generally thought of in terms of being or representing the cost of money, why not use it? And don't confuse the borrower with discussions of what --

MR. DIXON: This is why, in our note, we have referred to the cost of amount loaned. And in the discussion, I believe earlier today and yesterday, there were some references made to the Small Loans Act and there is no reference to interest in that particular Act. There again it is called Cost of Loan, I believe.

MR. IRWIN: What I'm trying to get at is this. It doesn't really matter what you call it, provided everybody calls it the same thing.

MR. DIXON: Right.

MR. IRWIN: And in my view, it is a readily accepted yardstick, whatever you call it, if your cost of money is expressed as a percentage per annum. See, I'm just asking for your thoughts on this, but it would seem to me to be so much simpler for the average person to be able to walk into you and you say, "Our cost of money is 11% per annum", and to walk into the Toronto-Dominion Bank and they would say the cost of money is 11% per annum or to the Commercial Credit Corporation or the CAC or the IAC. In other words, you don't need a whole lot of tables that people would have to set down side by side and say, how much would it cost me to borrow $100 here and how much would it cost me to borrow $100 there. If everybody said

what is was going to cost you percent per annum, then at least the shopping borrower would have some yard-stick to go by which was readily understood.

THE CHAIRMAN: Especially when some os his largest creditors that he will ever meet in his life are expressed in terms of interest.

MR. DIXON: The point we made here on page 8, we feel that the borrower rarely concerns himself with the average annual amount of money he is borrowing. Now to get at this percentage interest, whatever it may be, one must know, or one must consider or give consideration to, the average annual amount of money he has had the use of.Whereas we are suggesting here, it is the amount he borrows at the outset that he is concerned with. And this, I think, is what the Committee is concerned about too. When he is considering entering into a transaction, it is at that time is transaction A worse or better than transaction B or transaction C, down the line.

MR. IRWIN: All I am concerned with is why not express that in some universal language percent per annum? It's a yardstick, you would admit that it would be a yardstick for measuring it. It might be, I think, a commonly accepted yardstick and it certainly would avoid the necessity of a person looking at a half dozen schedules of this type.

THE CHAIRMAN: Let's ask Mr. Dixon if he has any objection or can see any objection to expressing it that way?

MR. DIXON: No, I have no major objection

to expressing it that way, save for the points we have made that the customer, or usually,the borrower is concerned only with the amount he borrows at the outset and I think the continuing of what I will call the prehistoric connotations or aspects or associations of interest carrying on to the rest of what's left of the 20th Century and the 21st, I think is wrong.

MR. LAWRENCE: You are most emphatic in this though, that in your experience and that of others too, that these four things are the only things really. The experience of some of the other groups that have appeared before us has been that there is usually an enquiry about what interest rate they charge. And as far as your bank is concerned, your experience has been that this question is not asked --

MR. DIXON: The customer asks, "How much will the loan cost me?",and we say, in the case of a 12 month loan, "$6.00 per hundred per annum". This same system -- may I refer to it this way -- I believe is used throughout the State of New York and one or two other States of our neighbours to the South.

MR. LAWRENCE: Why do you refer to this percent in three or four places (rest inaudible)

MR. DIXON: Why do we refer to it? I am not up on all my legal technicalities of the Canada Interest Act or the Bank Interest -- or the Bank Act itself -- but I believe in a promissory note, if interest is payable it must be expressed. I believe that's the --

MR. SEDGWICK: That is true.

MR. DIXON: I'm not just sure which way --

MR. SEDGWICK: Under the Exchage Act.

MR. LAWRENCE: And the Bank Act.

MR. SEDGWICK: To express the interest.

MR. DIXON: Right. And if it isn't expressed, then certain other things take place, I believe.

THE CHAIRMAN: Do you have any other questions?

MR. SEDGWICK: Well I wanted to put this to you because we put it, I think, to Mr. Lofquist, that if all other lenders of money on personal credit were compelled to put on their doduments an actuarially arrived at rate of interest, may we take it that you, as a banker,would have no objection either -- within the limits that you are permitted by the Bank Act?

MR. DIXON: Yes. I think the Bank, certainly our own, follows such legislative directions as are made. Therefore, to continue to do business, if we were required, we would do so.

MR. BELANGER: In your very opening paragraph you say, "As one financial organization among many, we were indeed pleased to read of the appointment by the Ontario Legislature of this Select Committee on Consumer Credit." Is it the fact that you would ge given the chance to express to the public the way your bank does business and some other banks do business also. Or was it to exclude some of these people we have

had come before us, showing us the high rates of interest that they were charging? Or was it the fact that you had some ideas that you could give to this Committee that were perhaps paid by the public, the growing public?

MR. DIXON: Beginning with the points in reverse order, I would agree that your last point, where we havehad the experience and have been using a system which, in our view, seems to work, I had the opportunity to present to this Committee with a view to having it assess the various merits or otherwise of our particular procedure as a perhaps means or a basis for your consideration and insofar as the pleasure of the appointment, I think I tried to cover that when I said that the consumer sector of the economy is reaching such important -- such importance -- that is a pleasure to know that the Ontario Legislature is vitally interested in the conduct and welfare of the consumer.

MR. BELANGER: I was just wondering what it is that you have offered to us, to the Committee, if it is something that perhaps we could use to help matters. You mention these four points and I certainly do not agree with some of your views that you have here. What should be done in the case you mention -- how much he's going to have to pay, what percentage. I think this is where we do dupe the public, what percent. I think that both should be given, the rate of interest, not just the cost. (Rest of statement inaudible)

MR. DIXON: Well, I suggest to you

that the consumer sector of the economy perhaps needs not much more protection or guidance, shall we say, than, as I mentioned, the corporate sector or the government sector of borrowing when there are charges or costs involved in a credit transaction that are other than interest, other than pure rental of the money.

MR. BELANGER: Well, the thing that always gets me is all of them seem to say that people are not dumb, they are fine and so forth, you can trust them. And then the ways and means that various institutions take to get the people to go after them. I can't understand it. Here's a new one that you just introduced today --

MR. DIXON: I believe we are in a business oriented economy where businessmen and individuals, either incorporated or otherwise, are in the business of either selling goods or rendering services at a profit. And we have competitive, very active competitive aspects in all parts of our market, particularly in the credit field.

MR. BELANGER: The trend has changed so much. At one time if a person had the cash to go out and buy something he was given a discount. Today it's go out and spend and pay later. Using all the means that you can to get the public to spend. I don't know. This is something that you are running into to such a state. Sooner or later this is going to have to be paid. I don't know. I just can't see this. I just can't see it.

MR. DIXON: In my view, it's a facet of what I like to call our western style of living, of the western world, because both corporations and individuals and governments are following the same pattern.

MR. BELANGER: Besdies, as far as the bank is concerned, it is very fine.

MR. LAWRENCE: If not it wouldn't be done.

THE CHAIRMAN: You must maintain your position with your competitors.

MR. BELANGER: Oh, I understand that, Mr. Chairman. It's a trend that I don't like at all. I may be old fashioned in my views, but I certainly can't see it.

MR. DIXON: I had the privilege of introducing this service throughout our branch service in the Caribbean Islands just as recently as a month ago, where these emerging countries in the western side of the world, shall we say, are wanting and desirous and have the ability and are acquirign the ability to assume these obligations and this way and manner of living on a new national economy. We feel it is an important contribution towards the growth of those countries.

THE CHAIRMAN: How are the interest rates in other areas where you are operating, outside of North America?

MR. DIXON: The interest rate, again, reflects the cost of money and the risk, but the service

charge is appropriate directly to the cost that we incur in the management of the account. They are fractionally higher than they are in Canada, fractionally.

THE CHAIRMAN: Higher?

MR. DIXON: Higher.

THE CHAIRMAN: Mr. Sandercock? Mr. Hamilton? Mr. Reilly?

MR. REILLY: I'm happy.

THE CHAIRMAN: Mr. Letherby?

MR. LETHERBY: Only one point. Yesterday the Chairman will recall that we discussed this formula, trying to get some uniform formula in the way of a standard interest rate. And I was much concerned about that and very favourable too, and I still think it should be kept closely to the service. But I do like, Mr. Dixon, this disclosure of yours on page 8. To me that is very important. A man wants to know how many dollars he is going to borrow. He wants to know how much money it is going to cost. A lot of working men might not know how to compute or figure the percent of the exact cost to him, the borrower. Now, when a man sees that he is going to borrow $100 and it will cost him $12.00 for the use of that over a period of two years, he knows then how much money he is going to have in his hand and how much he must repay to finish off the debt. If he can't figure out the interest rate, probably you would for him or he can take it home to his girl who is going to public school and she will figure it out for him. (Laughter) That's something I have altered my thinking on overnight, is this very

thing you have hammered home here in your brief. A man wants to know how many dollars and cents he's going to borrow, he wants to know what it is going to cost him in actual dollars. He doesn't bother with percent.

MR. DIXON: Right.

MR. LETHERBY: Thank you. That's all.

THE CHAIRMAN: No further questions, gentlemen? Well, thank you very much for taking the time out to be with us today and I would like to congratulate you on the way your excellent brief was presented. Thank you.

MR. DIXON: Thank you, Mr. Chairman.

MR. LAWRENCE: Mr. Chairman, before you adjourn for lunch, is that the end of the bankers?

THE CHAIRMAN: Yes. (Laughter)

We will adjourn until two o'clock. We will reconvene here at two o'clock.

---LUNCHEON ADJOURNMENT.

---UPON RESUMING AT 2:00 P.M., NOVEMBER 20, 1963

THE CHAIRMAN: Appearing before us this afternoon we have Mr. David Archer, President of the Ontario Federation of Labour. And with Mr. Archer we have Mr. D. F. Hamilton, Secretary-Treasurer and Mr. J. H. Craigs, Director of Research.

Would you please come forward, gentlemen.

MR. ARCHER: Mr. Chairman, this is Mr. Craigs and this is Mr. Clement, a Vice-President, instead of Mr. Hamilton. Apparently with Mr. Hamilton something has happened at the TTC as usual and he is still up there.

THE CHAIRMAN: Sit down, gentlemen.

MR. ARCHER: May I go ahead, Mr. Chairman?

Well, this is not a very exhaustive brief. It shouldn't take too much of your time. We realize much of the things we would like to have said have been said and there is no great value in repetition so we have kept it down to a minimum and we thank you for the opportunity of appearing. We speak as the collective voice of about half a million organized trade union members in the Province of Ontario, all of whom are consumers.

However, our appearance here today is not dictated by self interest nor are we pleading a special case. We are not asking for relief for ourselves but rather for the vast consumer public of which we are a part.

Since the ordinary wage earner is by far the greatest user of consumer credit, we can truthfully claim to be well acquainted with its usefulness and its pitfalls. Almost daily, we hear reports of wage earners caught in the web of high cost consumer finance, of excessively high interest rates, of home buyers trapped in a tangle of mortgages, bonus payments and the like, all of which only serve to drage the purchaser further and further into debt, rather than permitting him to liquidate it.

In view of the knowledge your committee has already obtained during its hearings, we do not propose at this time to cite a catalogue of our experiences, but suffice to offer two typical examples of the methods used to trap the innocent purchaser. The prevalence of these situations has been, and still is, a matter of serious concern to our Federation, so much so that we found it imperative to bring the matter to the attention of the government last year as part of our general submission to the Government. We have taken the liberty of attaching a copy of the document in question and the subject is noted on Page 8.

Without a doubt, a striking feature of post-war economic change in Canada has been the rising role of consumer credit. In acquiring goods and services other than housing, we have used, or are using, up something more than eight times as much money as we did in 1946. Apart from the restrictions imposed by the federal government in 1950 and tightened in 1951 as part of a program to deter excessive demand after

the outbreak of the Korean War, and was lifted in 1952, consumer debt has continued to rise fairly steadily.

The extension of installment credit for a larger volume and variety of goods and services has, concommitantly induced a more widespread acceptance of buying on time by the consumer. The increased number of lending organizations and the periodic easing of terms have all made for the substantial enlargement of installment buying, personal cash loans, etc. Unfortunately, there has not been sufficient watch kept by our legislature in policing or controlling this widespread growth.

The Federation believes that the speed with which credit is being continually substituted for cash on new fronts should be given intensive scrutiny by the legislature in order that the public be afforded the necessary protection from exploitation that our parliament is charged to provide.

On High Interest Rates

It is a fact that of all the articles or commodities that we purchase, money is the one that we know least about. It is also a fact that almost no matter where you borrow, the cost of this item will invariably be a great deal higher than you think it will. It surely is a strange anomaly of our society that the need to express ourselves in clear and meaningful words is required of us at every turn except in the case of citing the cost of consumer credit. The fact is that the proliferation of money lending companies, mortgage

brokers, etc., of widely varying reputation is surely proof that the area in which they operate is to say the least highly lucrative and, in too many instances, deliberately fogged by unnecessary complexities and downright myth.

The extent to which gobbledygook can be practiced starts with such simple expressions as "dollar down and a dollar per week" and from this point, the jungle commences. The infinite variations on this theme were dramatically illustrated in a series of articles written by Mr. Pierre Berton for the Toronto Star some two years ago. It was abundantly clear from these articles that it was only in the rarest instances possible for the customer to obtain an accurate statement of the true annual interest. But how many business men would consider borrowing money, and business and commerce borrow money constantly, without knowing how much it is going to cost him? However, the consumer public in Ontario, spending millions of dollars every year, is coaxed by every available means to spend his money without the faintest idea of how much it is going to cost him or without even daring to ask. The computation of the cost of borrowing as expressed in terms of simple annual interest, has impelled the lenders to enormous efforts to perpetuate a modern myth, which implies that the calculation of such interest is so difficult and complicated as to defy any attempt to simplify it.

A second myth actively spread and to which we take exception is that "there exists several

methods of calculating true interest; that these methods differ so widely that it is well nigh impossible to say what the 'true interest' is". Such statements cannot be described as anything but arrant nonsense. If they are true, then mathematics in Ontario must be a primitive science indeed.

This Federation is convinced that it is unnecessary and dishonest to actively beguile the consumer public into a fear of arithmetic and to do so is to engage in hairsplitting.

In ancient times, just as now, there always were lenders who will charge fees that are regarded as exorbitant, and there are attempts here and there to restrict these fees by legal effort. Even the Old Testament makes an attempt to draw the line when it enjoins, "To a foreigner you may lend upon interest, but to your brother you shall not lend upon interest". In spite of this injunction the courts, until modern times, have been on the side of the lender in upholding consistently the sanctity of the law of contract, whatever the public may have thought of it.

A court's thwarting of Shylock's contract for a "pound of flesh" was such an unusual idea that Shakespeare was able to make a world famous dramatic masterpiece out of it.

The pursuit of the "pound of flesh" is still actively carried on today by many in our society and a factor which encourages this questionable activity is the lack of sensible and useful data. The public continues to be baffled simply because they do not know

how much they are paying. The countless types of charges, many of them hidden from sight, the relentless emphasis on "so much per month" by those who peddle credit but refuse to divulge how much it costs, makes it impossible for the buyer to "shop around for the best deal". The lack of sensible and useful data are substantial obstacles for the sophisticated, let alone the average consumer, to the calculation of the true cost of a contract.

Only the retailers associations and the finance company lobbies are concerned about the likelihood of the customer being "confused" by the inclusion of the type of data as we have just referred to. During the recent hearings of the Royal Commission on Banking, the Canadian Retail Federation revealed its contempt for the consumer public by describing any proposals to set out interest rates as "mischievous nonsense" and that disclosure would be "misleading", "confusing", "incorrect" and "unworkable"!

The Retail Federation is amongst those who have announced that they are preparing "model legislation" (their words) for the public. In view of their previous statements to the Royal Commission, we find no grounds for exhilaration at the prospect of comprehensive protection being initiated by such institutions.

It seems to us that the absence of truth in the conduct of human affairs very often, if not always, denotes the presence of falsehoods.

Now, Mr. Chairman, we turn our

attention to the very serious gap in existing legislation which allows untrammelled license in the uses of unethical selling practices. Although the Small Loans Act gives some protection to the borrower of cash loans, the area of installment buying is completely unprotected. In particular, we draw the committee's attention to the dubious and deceitful practices connected with contract conditions in door to door selling of certain products. A typical example -- and this is the only one we cite from our extensive files of our Welfare Department -- concerns the vending of such a household necessity as storms and screens. However, the product could well be one of dozens of other items.

A salesman sold one of our members a thousand dollars worth of aluminum storms and screens. He then had the purchaser sign a promissory note which consigned the vendor company's financial interest over to a finance company. Subsequently, the window company installed one window and then disappeared, went out of business, we don't know what happened to it. The unfortunate purchaser was therefore left with only one window installed but owing the finance company $1,000.00. He informed the finance company that he would willingly liquidate his debt -- he wasn't trying to get out of it, he had money, and he would willingly liquidate his debt in the manner called for in the contract, providing the work was completed as specified originally. However, the finance company promptly disclaimed any responsibility for the lack of performance of the vendor company, pressed for payment and were upheld by

the Courts. We did go to Court in that case. The disillusioned purchaser was left with the original debt and, in addition, was saddled with Court and legal costs to the tune of an additional $200.00.

Now unless you think this instance is a relatively isolated case, we would like to direct the Committee's attention to some observations made by a prominent and respected public servant, the former Assistant Deputy Attorney General, Mr. Eric Silk, Q.C., which are contained in a report on "The Jurisdiction of the County and District Courts", which I'm sure is available to this Committee. Mr. Silk noted with great concern, he noted the great concern that was expressed at many meetings throughout the Province regarding this very practice we are talking about, the contract practices connected with door to door selling and especially such practices as the immediate consignment of the promissory notes of the vendor of the product or service to a finance or factoring company. This action invariably deprives the defendent of what might be regarded as his normal defences in any action that might be brought by the creditor.

I may say, sir, that Mr. Silk noted that many of the bar associations in the towns had banded together where a group of door to door salesmen had swept through the town and the bar association offered to take the cases of anyone who was caught in this jam without any legal cost whatsoever, to try and make up for the harm that had been done. This is from Mr. Silk's Report.

Another such instance of highly dubious practice is the immediate discounting of installment contracts by a well known chain of gymnasiums. This one has the added gimmick that, even though the individual may have been rendered incapable of continuance in the course by physical or medical reasons, he is still required to pay the full cost of the contract. In other words, if it is impossible to use the service, it must still be paid for. We could add here, of course, something about dancing lessons, but I think the Committee probably knows more about that than I do, since I am probably the world's worst dancer and I doubt is dancing school would do me much good. I'd probably put them out of business if I started.

Such contractual clauses as we have just described abound throughout the whole field of consumer credit and mortgage lending. They are in essence simply variations on a basic theme. Such contracts, usually signed under pressure, give virtually untrammelled rights to the seller or factor, while restricting the buyer to the "privilege" of making his payments.

It is said that in a democratic society a person is free to do as he wants, provided that he does not harm other people, but most of us now realize that it is not enough. It is necessary to apply a common standard to everyone, so that, for the greater good of all, the opinion of the majority as to what amounts to harm overrides that of the individual. Thus

we have found it necessary in our society to devise a set of rules. These rules, taken together, amount to the law of our society and English law is the set of rules we have in this country. The passing of the centuries has built up a system which we know as Common Law.

But from the start Common Law cannot be sufficient by itself. Times change, and what might have been a good rule years ago, is not necessarily a good rule today. Fortunately, we do have the means to change these rules through the representatives of the people sitting in parliament.

We are acutely aware that it is clearly necessary to draw a distinction between those rules that are aimed at protecting the community as a whole and those which are merely aimed at settling disputes between individuals. However, we believe that the subject that is before this committee is one that requires a substantial changing of the rules to give wider and more effective protection to the community.

In closing, Mr. Chairman, this committee is, of course, well acquainted with the nature of Credit Unions. We therefore ask your indulgence in reminding you once more that the principles and character of the credit union idea sprang from the working people and, through almost one hundred years of existence, has maintained its simplicity and integrity. Indeed, these principles have been given legal sanction through parliament in the Credit Union Act.

Although initially Credit Unions grew

up in the rural areas, it is today increasingly urban in nature due, no doubt, to the spread of industry in our cities and towns.

Because the industrial worker forms the largest portion of our society which uses consumer credit, this Federation has always supported credit union principles.

We believe that if the Credit Union movement can effect substantial growth under careful legislative control and effective policing, then so can commercial companies in the consumer credit field. We do not think it heresy to urge that strict regulation of such operations be made law. In our opinion, the ethical companies will be able to continue their operations and should be able to continue them, while the public will have tangible protection from the unethical operators.

This committee has already gone on record as being distressed by some of the evidence it has heard from a steady stream of witnesses, most of whom have revealed the utmost ruthlessness in the application of usury.

The operation of credit unions demonstrates the need, that the credit needs of our society can well be met while, at the same time, protecting the consumer from ruthless exploitation.

We are pleased to note that the Deputy Superintendent of Insurance has felt it appropriate in the light of his extensive experience to urge that the government, by more active promotion and permissive

legislation, encourage the expansion of credit unions. That the Credit Unions are well able to satisfy the consumer public's needs can be seen by a perusal of Appendix "A" of the Ontario Credit Union League submission to the committee.

The very existence and expansion of consumer credit in recent years reflects deep-seated economic and social changes in our times. Credit is being continuously substituted for cash. In such a situation, it is incumbent upon the government to adopt laws to fit these new situations. The matter before your committee, we believe, is one of great public concern and one, in our opinion, needing effective protection by the legislators on behalf of the public.

We do not presume to offer detailed answers to the problems that confront the government. However, we would suggest that legislation be worked out that will adequately protect the public by ensuring that:- (and we synopsize our brief in eight clauses).

1. That all credit sales show the effective annual rate of interest charged.
2. That the total dollar amounts of interest, service charges, etc. be clearly and separately specified.
3. That it be illegal to make any type of mortgage bonus or balloon payment.
4. That maximum rates of interest are set commensurate with a fair return on the investment.
5. That a vendor not be allowed immediate consignment

of promissory notes to a finance company.

6. That an effective Unconscionable Transaction Relief Act be effected either at provincial or federal level, whoever has the jurisdiction. We are not going to argue that.

7. Urge the establishment of a minimum figure under which no garnishee of wages should be permitted. And we say that very strongly, sir. If a man is making very little wages and he is trying to keep his head above water, to garnishee him is one sure way of making sure he gets fired and ending the whole thing and you are worse off than you ever were before and it seems to us it is not hard to find out what a man is making and if he is making so very little, you shouldn't be selling him aluminum storms and screens and other things that he really doesn't need.

8. That the governments give consideration to the control of advertising by finance companies, etc., similar to that imposed on liquor.

Now there can be no question that the application of such legislation would be in the public interest and would answer a cry for relief that has too long gone unheeded.

Now, Mr. Chairman, trying to second guess you, you perhaps were going to ask us how we would calculate the cost of consumer credit and on the last page we have shown you how we think it could be done quite simply. I don't think every buyer of consumer credit has to be able to go through these steps, but we

believe that if a limit is set on the interest rate to be charged, this would be the method of calculation. And anyone who is asked to police it would use this method of calculation, and people who were lending money would use a method similar to this or, if you feel there is something better than this -- but, that there be one method of calculating the interest and it be used both by the credit lending companies and by those who are set up to police such companies.

Mr. Chairman, again thank you for your very kind attention. Again, I point out that we could have cited many more cases from our extensive files, but you have had experts in almost every field of this endeavour before you and we felt there wasn't very much more that we could usefully add. Thank you again.

THE CHAIRMAN: Would you care to answer any questions?

MR. ARCHER: Well, I will, or the Research Director, who is more --

THE CHAIRMAN: Some of the members may wish to ask questions. Mr. Sedgwick?

MR. SEDGWICK: May I preface this, Mr. Chairman, and say to Mr. Archer that they are not asked in a critical sense because, for myself, I agree with almost every word in your brief. But if you will be good enough to turn to page 7. You quote Mr. Silk and then say , "especially such practice as the immediate consignment of the promissory notes of the vendor of the product ....". It occurred to me, and I have said

this before and it has been said by others here, that the objections might be met if the buyer of the paper was subject to the equities that exist between the seller of the product and the purchaser. That is, if there has been fraud or overreaching or non-delivery.

MR. ARCHER: Yes.

MR. SEDGWICK: Then the paper would be tainted with those equities and it would be possible for the borrower or the signer of the note to set up those equities against the buyer so that in buying paper of that kind the finance companies would be made aware that they would be subject to the honesty of the dealer from whom they purchase it. Do you think that would --

MR. ARCHER: I think that's one way it might work. Your Committee, obviously, are going to discuss pros and cons. At first blush it seems rather sensible to me. I've also thought that rather than simply signing a note, if the finance company had to give the follow the $100 in his hand or something and he knows he's got it and what he does with it is his own business. He has actually borrowed money. But your way might be even better. I don't know.

MR. SEDGWICK: Often the man who signs the note never sees the finance company at all, is that true?

MR. ARCHER: That's right.

MR. SEDGWICK: It's taken by the vendor of the article, who then discounts it with the finance company and there is no direct contact between the

finance company and the buyer. I think if the finance company was subject to the equity between the seller and the buyer they would be a lot more careful.

MR. ARCHER: Well, this one that we are citing was one of our staff men. It wasn't a lack of money. He wanted the storms and screens. There was no problem involved other than he was a little angry at paying $1,000 and not getting these windows and doors up. I think it's as simple as that.

MR. SEDGWICK: I should say he would be. And then in the same connection, and this applies to your fifth point in your recommendations where you say, "That a vendor not be allowed immediate consignment of promissory notes to a finance company", have you considered that there be a three day clause during which the buyer has a chance to look at what he has bought and what he has signed and during that period has an opportunity to repudiate. You may remember that there is a provision of that kind in the Securities Act.

MR. ARCHER: Yes.

MR. SEDGWICK: What would you think of that?

MR. ARCHER: Again it sounds very reasonable, if possible.

MR. SEDGWICK: Then, turning, if I may now, to page where you make specific recommendations. We have been inundated, and I think that is an appropriate word to use, with objections to stating effective annual interest rates and it may well be (next few words inaudible) -- but we have heard from three of the banks

in the last two or three days, and I am looking at the note that was procured by the Bank of Nova Scotia, and the note itself says the amount loaned ($400.00) and cost of loan ($34.80), amount of note ($434.80) so that the borrower knows how much he gets, how much he pays for getting it and over what period of time and what monthly payments. Do you think that that would be sufficient, so that even though the percentage were not stated --

MR. HAMILTON: Well, sir, the formula that we have put out there does not pretend to be the last word.

MR. SEDGWICK: I may it has been said to us that that formula which has been put before us is dubiously accurate and difficult of application and times.

MR. HAMILTON: Well, our purpose in this respect was to demonstrate the fact that it can, a formula can be put out in relatively simple language that most people -- I won't say all people, but most people -- will understand. I note you are doing your arithmetic there. You will probably argue that actually the true rate is 9%, which it is, but --

MR. SEDGWICK: That's what I say, it isn't accurate.

MR. HAMILTON: No. We have used an existing formula, but as I say, the way it is laid out it merely is a suggestion of what the Federation would like to see.

MR. SEDGWICK: Well maybe some standard

formula is possible. The form used by the banks would meet your second suggestion.

MR. HAMILTON: Yes.

MR. SEDGWICK: And as to your third suggestion, that the bonus or balloon payment be made illegal, it has been said to us that some borrowers of second mortgage money prefer that the bonus be incorporated in the amount because they will then have a mortgage with a base interest of, shall we say, 7% rather than have a mortgage that bears a base interest of 12 or 14 because he thinks it will make it hard to sell the house. I think it is a fact that many of the bonuses on loans to the borrower are agreed to because it appears to be in the interest of the buyer of the house, however --

MR. HAMILTON: Those are the key words, it probably would be false.

MR. SEDGWICK: As to your fourth suggestion, you are, of course, aware that interest is a federal matter and it's highly doubtful as to whether the legislature has any power to (rest inaudible).

The fifth I already commented on. I agree with you. I think if there were a breathing space it would be a very good thing.

As to the sixth, the litigation as to the validity of the Ontario Act is still before the Supreme Court and it has been indicated that if the Provincial legislation should be found to be invalid, it will enact similar legislation. It may be better if it were Dominion wide. I don't suppose it would be

(Last page of brief, not read, but typed in for the record):

CALCULATING THE COST

As was noted earlier in our submission, the retailers associations are on record as having stated that disclosure of interest rates are unworkable. We think the following quite "workable":

Cash Price: $60.00

Deposit: $12.00 (20% of cash price)

Payments: Ten monthly payments, $5.00 each.

FIRST STEP: Calculation of the total installment price.

Deposit + (Number of installments X Amount of each installment)

= $12.00 + (10x$5.00) = $62.00

SECOND STEP: The Cost of Borrowing.

Total Time Payment Price minus cash price.

= $62.00 - $60.00 = $2.00

THIRD STEP: The amount borrowed.

Cash price minus deposit

= $60.00 - $12.00 = $48.00

FOURTH STEP: The cost of borrowing as an annual percentage of the amount borrowed. i.e. the time payment charge.

Cost of borrowing x payments per year x 100
divided by
Amount borrowed x total number of payments

$$= \frac{2 \times 12 \times 100}{48 \times 10} = 5\%.$$

possible to give an arbitrary figure which would be the minimum, on your point number seven.

MR. ARCHER: You mean for us to do so?

MR. SEDGWICK: No. Would it not be low, regionally?

MR. ARCHER: It would be low, I suppose, but at the same time we are having a great -- many managements now are -- I could almost say the majority will simply refuse garnishees and will tell the finance companies, "If you insist on a garnishee then we will fire this fellow and you will get nothing". We are having a great deal of trouble with garnishees, both, I suppose, from a finance company point of view, -- if they push it and the fellow does get fired, then it isn't any use to the finance company. They don't get anything out of it. If you are going to hound him he will never get a job and on the other hand, of course, it doesn't do the chap any good who gets fired. It seems to me the way to cure it is at the very start and to make sure that a fellow who is living on a minimum income sometimes just gets so darn fed up he wants to buy something that somebody else has or go out and get drunk, or something. I don't blame him if he's struggling along. He's got to do something to change the pace of his life. I think he needs protection at that point.

MR. SEDGWICK: Mr. Archer, the comment I was going to make is, and it's in line with what you said, that if you abolish the garnishee process or if

fix a minimum (next few words inaudible) it would mean that we just would not get consumer credit. That might be a good thing.

MR. ARCHER: I think he would get consumer credit to the limit that he was able to pay for it. After all I suppose we have had pensions, government pensions, and so on for years, that you couldn't garnishee and they have never been denied consumer credit. In fact they've been --

MR. SEDGWICK: (Inaudible)

MR. ARCHER: Well, yes maybe they get too much. I don't know.

MR. SEDGWICK: (First part of statement inaudible). Mr. Simone told the Committee that his Department, the Department of Insurance doesn't damp the advertising in advance, but they have a check on advertising and when there is some idea of it being unethical or misleading they have used their influence and sometimes their power to see that it is withdrawn or amended so that some steps have been taken in that direction.

MR. ARCHER: Of course, I would think that a company called Beneficial would almost come under this -- (Laughter)

MR. SEDGWICK: Something is being done and it may be better done departmentally than legislatively. It's extremely difficult to legislate --

MR. ARCHER: We are not too worried how it is done.

MR. CRAIGS: Might I add a point,

sir? Your observation about establishing a mandatory minimum rate under which a man might not be garnisheed. If there is any question about whether it is possible to make it mandatory, what about the person's minimum wage?

MR. SEDGWICK: Well, there is a difference, of course. But it was in my mind that so far as it's practical the Judges of our Courts refuse to permit the garnishees.

MR. ARCHER: I think the Judges have done very well on this. They have been our backstop in this situation.

MR. SEDGWICK: Of course we have a number of Judges whose opinions differ.

MR. ARCHER: That's right.

MR. SEDGWICK: But it may be just as hard to fix a minimum that would be sound all over the Province bearing in mind the differences in wage levels, different trades and so on.

MR. ARCHER: Well, those are our opinions, sir, and I am sure the Committee will be discussing them and considering them along with many others.

THE CHAIRMAN: Mr. Irwin, do you have any questions?

MR. IRWIN: Nothing too serious although -- I don't want to appear controversial, but the Committee is having presented to it two fairly strong different points of view in regard to disclosure of the true interest rate or cost of money. One is in

your #2 on page 11, that the total dollar amount should be shown and the other is #1 where the whole calculation of the cost of money should be expressed as an effective annual rate of interest. Do you have any preference? Do you think that both such revelations should be made?

MR. ARCHER: It doesn't seem too difficult to me to show both. I must admit I'm not an economist or an accountant, but it doesn't seem too difficult to me. If I borrow money and I know how much it is going to cost me for me to figure out what I think is the correct interest rate, maybe some accountant like yourself would tell me I am wrong, but I simply divided what I am paying over and above what I borrow and this comes out my interest rate for my purposes. Maybe not technically correct, but it serves my purpose. If we settle on a method of calculating it then we have all got the same method and at least we know what it is, rather than everybody using different methods. This is what we did for years with the unemployment figures. You used, when you wanted to make them lower, you used the Dominion Bureau of Labour statistics. When you wanted to make them higher you used the Unemployment Insurance Commission. It seems to me we could use the one method of calculation.

MR. IRWIN: In other words, if everyone were required to use the same means of calculation and expression that even though that means were subject to criticism in relation to another means, as long as everyone were using the same means at least

[illegible]

comparison would be valid.

MR. ARCHER: That's my point, sure.

MR. IRWIN: Thank you and I would like to ask one other question in this same area. Some submissions make the point very strongly that the only thing that the consumer is interested in is the dollar cost to him. This is the only thing he understands. Some of these submissions claim that their experience indicates that the expression of the cost of borrowing in terms of a percentage may be confusing. What would be your experience with your 500,000 consumers. Do you think that they would better be able to compare the relative cost of borrowing from A as opposed to B, if it were expressed as a rate of interest or equivalent to a rate of interest as opposed to merely confining that to a comparison of dollar cost?

MR. ARCHER: As I said, I don't see any reason why they couldn't have both. It doesn't seem too difficult. And so long as the method of calculation is the same, then they can shop around and if they can get a better deal at the Bank than they can at the Finance Company or their Credit Union, -- but as it is now they just don't know what's happening to them and it seems to me if they were all using the same method of calculation, I wouldn't be nearly as worried as to whether that method was completely accurate or whether it satisfied the niceties of a C.A., but so long as the people who were borrowing -- I'm talking just about this one aspect -- were able to shop around

[illegible]

through the various agencies and get the best deal they could for the money they wanted to borrow. I don't think I'd worry too much about complete legal accuracy on the thing so long as you are all doing the same thing.

MR. IRWIN: Yes, I tend to agree, Mr. Archer, but having accepted that it should be a common method of expression, there still is this other question of whether this common expression should result in a statement of percent or merely a statement of dollars.

MR. ARCHER: Why can't it be both?

MR. IRWIN: Thank you, Mr. Archer.

THE CHAIRMAN: Mr. Bukator?

MR. BUKATOR: I can't argue too much with this brief, Mr. Chairman. I haven't subtracted from my thoughts or added to my thoughts since the brief has been read. I feel, as I have for quite some time, that your item #1 on page 11, "All credit sales show the effective annual rate of interest charged" -- I think that should be in. And #2, I like that very much too, that a person should know exactly what it is going to cost him for that money that he borrows and I think that should be added by interest also, the rate showing that possibly in the first year it may be a lot higher than the second because there is charges to be carried through into the second and third year. If it's something like an automobile or refrigerator. My concern is that people know what they are going to pay before they sign the contract and

generally speaking this is a well thought out brief and I can't go along wholeheartedly with it, simply because of my way of thinking, -- I'll let Mr. MacDonald pick up the other three or four points that I don't agree with.

MR. MacDONALD: Perhaps you will have to tell Mr. MacDonald which ones you don't agree with. (Laughter) I never pretended to be a mind reader.

Mr. Chairman, I wanted to clarify the legal position with regard to this business of discounting promissory notes to a finance company. Mr. Archer, you say there were some instances where salesmen swept through the Town and the local Bar Association had, without charging legal fees, agreed to fight it. I assume that all of those were lost then?

MR. ARCHER: I don't know. Mr. Sedgwick could tell you more about that than I can.

MR. SEDGWICK: They were able to show that the finance company did know or should have known about the fraud and I think some of the finance companies failed in Hamilton in their actions against (rest inaudible)

MR. MacDONALD: Well may I come back to the basic case that you cite here -- it's almost a test case, namely that the Court upheld the sanctity of the contract.

MR. SEDGWICK: Well, I assume in that case the finance company was able to show that it knew nothing about the default on the part of the

vendor and it purchased the paper in good faith and was entitled to be paid. But if it had taken the paper subject to all the equities that existed between the vendor of the article and the purchasor, then it would be fixed with a notice of this fraud and be --

MR. MacDONALD: Well, did he?

MR. ARCHER: No, no, this was an individual case that we cited, in fact a former member of this legislature and there was no -- I suppose again as Mr. Sedgwick has pointed out, a great deal will depend on the Judge's feelings and where they swept through the Town I suppose he had a feeling of fraud. This was an individual case and I don't know, I suppose the Judge felt there was no attempt on the part of the finance company to be sort of in cahoots with the overall operation.

MR. MacDONALD: I still don't get this. In effect you were saying to Mr. Sedgwick that if the Judge can have evidence provided to him that suggests that the finance company should know or did know, then the contract isn't upheld?

MR. SEDGWICK: Yes. There I think he is able to say the finance company takes notice and therefore takes subject to the equities. But if the finance company knew nothing about the matter but merely bought the paper on the strength of the customer's signature, and was not a party to or knowledgeable of the fraud, then I think that this is a piece of negotiable paper --

MR. ARCHER: That's right.

MR. SEDGWICK: Somebody has to lose. It's a question of whether the finance company or the maker of the note does,and does the finance company have no knowledge or any opportunity to get knowledge as the maker of the note presumably did, then of the two innocent parties he's the one that gets stuck.

MR. MacDONALD: Well, the point of your original comment on this, after the brief was completed then, was that if the law were changed to make it obligatory that they borth should know and furthermore that the contract would not be a contract unless it were fulfilled?

MR. SEDGWICK: Well, when you say subject to the equities it would merely mean this, that if the vendor of the article is guilty of fraud or failure to fulfill his contract, then that would be a good defence against him if he still held the note and it would then be a legal defence against whoever did hold the note.

MR. MacDONALD: If the law were amended to bring this point you have just said, then it would remove the grey area automatically?

MR. SEDGWICK: That is right. Then the purchaser of the paper would be in the same position as the original vendor of the article. But that is not the law now.

MR. MacDONALD: As a matter of fact, now that this has come up, I have one or two really beauts in my files up north.

MR. ARCHER: I'm sure everybody has.

MR. MacDONALD: I'll try to drag them out because I think, Mr. Chairman, this is an area we might look into. I think in that connection you het into another form of it. I want to ask a question or so on this. This instalment contract by a chain of gymnasiums discounting of it and then the person is incapable of it and there is no rebate at all. It seems to me if this is a kind of practice this may be the kind of organization that we should have brought before the Committee. Can you tell us who it is?

MR. ARCHER: Yes, sir, it's the big Tunney chain of gymnasiums.

MR. MacDONALD: And this is the common practice, that they immediately discount the contract?

MR. CRAIG: Well surely, Mr. MacDonald, it's a common practice with all of these groups you read of every day in the paper. About an old man 97 having $2,000 worth of dancing lessons at some dancing school and he's signed up for them and it doesn't matter if his arthritis lays him low, he still has to pay for the dancing lessons that he's contracted to get. It's not unusual.

MR. MacDONALD: Well, it's interesting. We've heard, for example, from finance companies and banks and so on and when they don't fulfill their contract or there is an earlier payment or something like that, there are rebates. Now here

you have a practice in which there are no rebates.

MR. ARCHER: They are willing to fulfill their contract --

MR. SEDGWICK: But the poor fellow --

MR. ARCHER: The poor fellow can't take it.

MR. SEDGWICK: I ran into an old high school teacher, now retired,and she was contracting -- she had been buying almost a lifetime dance contract -- not for a few hundred dollars but for a few thousand dollars.

MR. ARCHER: That's right, about that, I think so, yes.

MR. BELANGER: I know of a gasoline station operator, he lost his gas station because of a contract.

MR. MacDONALD: I think this may be an area, Mr. Chairman that we might take a look at because it certainly is one in which you constantly hear cases of.

MR. ARCHER: You could send Mr. MacDonald out as an operative. (Laughter)

MR. MacDONALD: I think that's all I have.

MR. CRAIGS: The interesting thing about this is that the people to whom they discount their notes is exactly the same address as the gymnasium.

MR. BELANGER: This #5 of yours exists -- that a vendor not be allowed immediate con-

signment of promissory notes to a finance company (rest of statement inaudible)

MR. ARCHER: Well, I think Mr. Sedgwick has suggested there might be alternatives to get over it. We feel it's wrong for somebody to go down to Eastern Avenue and try and sell aluminum storms and screens -- this is unfortunate because it just happens to be the one we are using, I'm sure there are plenty of reputable companies in this field -- but you know a house that is falling down really should be condemned. Three or four hundred dollars worth of these things just by simply having the housewife sign her name. I know of another one. Very simply, the girl just had a baby, they were just married, they had no money and somebody comes around with the same kind of a deal and sells her a highchair that folds down and becomes a playpen -- I don't know, it makes into a thousand different things and --

MR. BELANGER: I can cite a lot of cases. I've taken it up with the Attorney General's Department and lawyers who say they just don't want to have anything to do with it. I don't know how you are going to get around it.

MR. ARCHER: I was very interested in this suggestion of three days relief in which they could consult either their Counsel or more mature person, their father or mother or something.

MR. SEDGWICK: Get the sales pitch out of their heads.

MR. ARCHER: Yes, get the sales

pitch out of their heads. It seems like a --

MR. SEDGWICK: This was my suggestion and it's a suggestion that has been put forward by the British (   ).

MR. ARCHER: They are getting worried about the higher purchase situation over there.

MR. BELANGER: Then your last point, #8 here, I asked this question today. When they get out an ad -- some of the financing they are going to do -- I always thought that this had to be approved by the Insurance Department of the Province, that was the impression I was under, but apparently not.

MR. MacDONALD: When they advertise in some of these ads like the one you mentioned this morning --

MR. SEDGWICK: That's not a significant --

MR. MacDONALD: Well, I was under the impression that it had to be submitted to --

MR. SEDGWICK: No, I don't think the Department has any control over the banks.

MR. MacDONALD: It's purely persuasive, isn't it? As to the advertising?

MR. SEDGWICK: Yes, even as to those well known institutions which are under rigid controls, I don't think there is any persuasion of the banks --

MR. BELANGER: I agree there isn't, but there should be.

MR. SEDGWICK: Maybe there should be,

but there isn't. (Laughter)

THE CHAIRMAN: Is that all? Mr. Sandercock?

MR. SANDERCOCK: What I am interested in -- and it has been pretty well thrashed out -- the man that's borrowing money should know exactly what is going on. What I don't understand, there are a lot of people probably that are borrowing money that are not too interested in what's going on and I know that I have sold houses to young couples and they don't even ask about the taxes and that's how probably some of these people get into difficulty.

I did hear about -- this is salesmanship -- a woman who had to buy a suit of clothes for her husband who had just died, to be buried in and this lad sold her two pair of pants for him. (Laughter)

MR. ARCHER: I can't better that. (More laughter).

THE CHAIRMAN: Mr. Reilly?

MR. REILLY: Yes, Mr. Chairman. The members of this Committee, Mr. Archer, are interested in any cases that you might know of where you feel that there have been unnecessary charges or excessive charges. I notice on the bottom of page 4 you refer to your pound of flesh and on the top of page 5 where you say the pursuit of the pound of flesh is still actively carried out today by many in our society. I wondered if you know of any cases that should come before this Committee?

[illegible]

MR. ARCHER: Well, I'm sure if you were looking for cases our Welfare Department can probably give you thousands of them that we have grievances that we have handled, garnishees that we have tried to look after, and so on. But they are mainly the sort of things you have around here today. I think there is a great deal to what Mr. Sedgwick says that a person gets into such bad circumstances -- whether it's his own fault or not, I'm not worrying about the merit of it -- but if somebody is foolish enough to lend him money,he just doesn't care and perhaps he hasn't too much intention of paying it back anyway. But if there are people in our society, and we have them in our plants we are trying to clean out all the time, the moneylenders. If there are people in our society who are going to have this kind of risk capital,they are willing to take a fellow like this and lend him money in order to make an exhorbitant profit off it, then I don't think we should rely on the law and the Courts and so on. They took their chance and they lost the same as anybody else who is investing risk capital. This is what bothers me. They take some of these fellows -- it's true, just exactly as Mr. Sandercock suggests -- they are looking for somebody to lend them money and they lend it at exhorbitant rates of interest. My kick comes when they start wanting to use all of the machinery of government, Courts and society to get back the -- so that really the risk is removed, the very risk that made the necessity for what we consider the exhorbitant

rate of interest in the first place.

MR. REILLY: Well actually we have had only two representatives before this Committee that we felt were exhorbitant rates of interest charged and I wondered if you knew of any other specific cases?

MR. ARCHER: Well, of course I don't think they are going to come willingly in front of your Committee. Not so much the finance companies right now, we are talking about door to door selling and then the finance companies come in afterwards. This has been our --

MR. REILLY: On a Committee like this you heard of some of the most flagrant cases and it has a tendency to smear good, reputable institutions.

MR. ARCHER: I agree.

MR. REILLY: On page 11 of your brief, where you have made certain suggestions, #4 you say "Maximum rates of interest are set commensurate with a fair return on the investment". Now you have referred a few times to what you felt was an exhorbitant rate, what would you consider to be a fair return on the investment and how would you evaluate the risk involved?

MR. ARCHER: Well, it seems to me that the Credit Unions are doing a fair job and their's is 1% per month which they have been lending to our people in the past. They have been a God-send to our people.

MR. REILLY: Do you think that anything in excess of this would be exhorbitant?

MR. ARCHER: That's a very difficult question to answer --

MR. REILLY: Depending on the risk --

MR. ARCHER: If there is a risk involved you might well -- but if you take the risk then I want you to take the risk, that's it. This is where I get lost. You take the risk and then you want to use all the machinery to remove the risk that you have taken.

MR. REILLY: Do you think a person should be rewarded for taking the risk?

MR. ARCHER: Well, let me put it this way. I'm a reputable company and somebody comes to me wanting money and I won't lend him the money because I know that he's a bad risk and that he shouldn't have it for whatever reasons, and then somebody else comes along that is disreputable and lends him the money at a much higher rate of interest, but he wants the same protection as you do for this loan. How do you resolve this? I don't know frankly. It's a very difficult one for this Committee, I imagine.

MR. REILLY: You consider the rate charged by the Credit Unions of 1% per month to be a fair one?

MR. ARCHER: A fair rate and I'm afraid I'm stuck with that although I recognize there are people that I would certainly, if I had any money

to lend and was going to lend it to them, I would need more than that as a guarantee of ever getting it back. But I would be lending it on the assumption that I probably wasn't going to get it back to begin with.

MR. REILLY: Don't look at me.

MR. ARCHER: I'm not looking at you -- (laughter). I don't know how you do it, sir!

THE CHAIRMAN: Are there no further questions?

MR. BUKATOR: Mr. Chairman, I'd like to pursue this a little bit further -- this dancing bit (laughter). While it seems like a dim sort of a thing to some of us -- I don't dance too much either, I'd sooner fish, I'm the lazy type -- but if elderly people are being taken in for thousands, and apparently they are, there are possibilities of some of the officials of this particular group should not be brought before this Committee and tell us how they come about these contracts? I think this is quite worth pursuing if we are going to protect the public against being taken. You mentioned some particular --

MR. ARCHER: I think Mr. Sedgwick is the one that gave us the example.

MR. SEDGWICK: This isn't consumer credit, you know, they meet and pay over a long period of time, but I don't think any finance company would discount it --

MR. BUKATOR: I might have said in the first instance, Mr. Chairman, does this come under

our terms of reference and can we explore this? We are talking about people being taken by mortgages, this is a lot worse when an elderly person who can't speak for themselves -- but somebody is taking someone.

MR. REILLY: I suppose we can go into several fields like this, Mr. Bukator, where you try to protect the people from themselves.

MR. BUKATOR: Well, if that's your attitude. I think this --

MR. MacDONALD: You can say protect the people from themselves or protect the public from the high pressure sales artist.

MR. BUKATOR: I like that attitude better.

MR. MacDONALD: Whose activity is perhaps a questionable public activity. Just the difference in approach. Whether he has a right to make his living this way and whether we should restrict his right to earn his living any way that he wants to.

MR. BUKATOR: I accept your statement of philosophy. Maybe we can't get into this particular angle, but I hope someone picks it up. It's an injustice put on some people. I never heard of it before, but it's as simple as that.

MR. ARCHER: Sometimes I think they pay in advance.

THE CHAIRMAN: If there are no other questions, gentlemen -- thank you very much, Mr. Archer, for presenting your brief. It was very interesting and I am sure there are things in it which

we will find of value when we consider our findings.

We will take five minutes to stretch.

---SHORT RECESS

THE CHAIRMAN: We are now going to hear from Mr. R. T. Homewood, who is the General Manager of the Automobile Dealers Association of Ontario and the Toronto Automobile Dealers Association. Now, would you care to introduce to us the gentlemen who are accompanying you and tell who they represent?

MR. HOMEWOOD: Yes, sir. On my right is Mr. Jack Smithhurst, Standard Canada Limited. Mr. Bill Rowe, of Park Manor Motors and Mr. Bert Sykes of Golden Royal Motors in Scarboro.

Mr. Sykes is Vice-President of our Toronto Association, Mr. Rowe is Director of our Toronto Association and Mr. Smithhurst is the Treasurer of our Toronto Association. Mr. Bob Lethingham, our Secretary, was due to come, but something came up and we substituted Mr. Rowe, Mr. Chairman, with your permission.

THE CHAIRMAN: Fine. Well now, we all have a copy of your brief. Would you care to sit down and read it, or you can stand and read it. Whichever you prefer.

MR. HOMEWOOD: To use Mr. Sedgwick's terminology, I think I'll inundate you for a little while.

"This submission is made on behalf of the Automobile Dealer Associations of Ontario and the Toronto Automobile Dealers Association. The membership of both Associations includes only franchised new Automobile

dealers but also encompasses the used car department of each member which is an adjunct to each dealership.

"The Toronto Automobile Dealers Association represents one hundred and thirty four franchised new automobile dealers in the Counties of Peel, York, Ontario including the Metropolitan Toronto area.

"The Automobile Dealer Associations of Ontario represents four hundred and twelve franchised new automobile dealers in the Province of Ontario excluding the Counties of Peel, York and Ontario.

"Both Associations are incorporated under Ontario charter as non-profit corporations (trade associations) without share capital. Both Associations are served by the same General Manager and, except where a problem is sectional in character (Metropolitan Toronto by-laws, as an example) are represented jointly on all briefs and submissions on behalf of their industry members.

<u>Terms of Reference of the Select Committee on Consumer Credit</u>.

"The terms of reference of the Select Committee on Consumer Credit wherein it is stated the 'the Committee's attention is particularly directed to investigation of means by which total charges for borrowing money may be revealed in regard to ...conditional sales contracts' would fall within the sales area of the Automobile Dealer who is a member of either of the above listed associations.

"The Associations presenting this submission wholeheartedly approve and endorse any investi-

gation designed to protect the consumer of tangible goods and services from misleading or deceptive charges applied to time-payment sales contracts. Our Associations appreciate that no Government can protect some individuals from their own folly but we wholeheartedly support any move to protect our citizenry from deceit and misrepresentation. While representations of our Associations to Departments of our Provincial Government (in particular the Department of Transport_ have been on behalf of automobile dealers, they have always had the best interests of the general public at heart. The Toronto Automobile Dealer Association is responsible for the writing of a standard of automobile advertising which has been generally accepted by dealers and newspaper publishers. The purpose of the code, of course, was to protect the consumer from the unscrupulous merchant.

"Our reason for presenting this brief is our concern regarding the method or, better still, the terminology to be used to state the actual cost of credit to the consumer which will appear on the conditional sales contract form. We are most anxious that it be in such form that it can be quickly and easily calculated by our sales people.

"Our Associations are enthusiastically in favour of full disclosure of finance charges. Further, if an <u>interest percentage</u> formula could be devised which would be simple and which our sales people could quickly calculate (without recourse for error) while completing a finance contract in a customer's home, then we would

also be wholeheartedly in favour of showing such a percentage on the contract form.

"Automobile dealers in Ontario, including the independent used car dealer, virtually sell all the motor vehicles sold in our Province. Private sales are of such a small percentage of the over-all market that they may be ignored. None of the latter sales would likely include a conditional sales contract. Our members would sell the preponderance of all cars and trucks (both new and used) sold in Ontario. Our members employ approximately 24,000 people. They pay taxes in every hamlet, village, town and city. They are always in direct contact with the buying public.

"It will be appreciated that 'selling' is not confined to the salesroom. It is done everywhere -- on the farm, in the village store, in the shack at the construction project -- everywhere. It is done in many places where facilities for close figuring of mathematical problems is utterly impossible.

"Because such a heavy volume of our business is done beyond the confines of our salesrooms and because such sales are, in many cases impromptu, it falls upon the dealer's salesman to close the sale on the initial contact. Our salesmen frequently go to the people. For this reason, our industry is much concerned over the newspaper publicity on behalf of the declaration of <u>simple interest</u> figures or the <u>effective annual compound interest rate</u> on the conditional sales contract.

"In his studies on Consumer Credit published by the Graduate School of Business, Columbia

University, Robert W. Johnson, Professor of Financial Administration, Graduate School of Business Administration, Michigan State University, states:

"'This (percentage interest rate) is a sensitive area in which to write. The interest-rate form of statement appears to be so eminently fair that it is almost morally unbecoming to point out its deficiencies. Nonetheless, <u>the opportunities for deceiving the consumer appear to be substantially greater under the interest-rate form of statement</u> than with the methods of disclosure currently in use.

"'Proposals that the interest-rate form of statement be required on all consumer credit transactions generally rest on one or more of three main arguments:

1. A consumer finance charge is interest and should be treated as interest.
2. Lack of awareness of the cost of credit fosters excessive use of credit, which, besides being harmful to the consumer, also threatens economic stabilization.
3. Statement of charges as annual rates will enable consumers to shop more effectively for credit'

"Let us turn to Addendum "D", attached, where Professor Johnson discusses these in detail.

Addendum "D"

EXCERPT from Studies in Consumer Credit Number 2 -- Methods of Stating Consumer Finance Charges by Robert W. Johnson, Professor of Financial Administration,

Graduate School of Business Administration, Michigan State University as published by the Graduate School of Business, Columbia University, Box 317, New York 27, N.Y. Single Copy of complete study - $2.00.

"FINANCE CHARGE VS. INTEREST CHARGE.

"'The charge made for the use of credit assumes different aspects when viewed by the jurist, the economist, and the consumer. The jurist charged with the enforcement of usury laws or special legislation limiting the finance charge on certain consumer credit transactions must adopt an all-inclusive definition of "interest". To prevent grantors of credit from levying additional charges in excess of those allowed by statute, the jurist will ordinarily consider all fees, commissions, or other benefits received by the lender to be "interest". However, legal expediency should not blot out the underlying economic realities.

"'The economist, recognizes three components in the payment made by the consumer to the credit institution. First, there is pure interest, a payment for forbearance, for the lender's being willing to wait for the return of his funds. Second, there is compensation for the risk and inevitable losses the credit institution must assume. Finally, there is a payment to the credit grantor for his costs of handling the account. In the case of the installment credit these costs arise in granting credit, collecting monthly payments, and closing the account. Examination of the operating costs of credit institutions reveals that the dominant component of this "credit package" is the service

element, that only a relatively small portion of the finance charge paid by the consumer can be attributed to pure interest.

"'When a consumer observes the finance charge, he is likely to adopt the terminology used by businessmen with respect to large single-payment loans; that is, he refers to the charge as "interest". On business loans it is entirely acceptable to call the finance charge "interest" because the dominant component is the charge for forbearance. However the further one departs from a large, single-payment, riskless loan, the further the charge made on the loan departs from what is properly called interest. Because the major component of a consumer finance charge is for service and risk, it is more properly viewed as a service charge.

"'If it is treated as a service charge, the consumer finance charge need not be converted into an annual rate. Indeed most service charges are presented in much the same manner that finance charges are now stated to the consumer. Cash discounts on trade credit and factors' commissions for handling collections on accounts receivable are presented as percentages of invoice amounts, much as are the charges for revolving credit accounts. Charges for personal checking accounts at commercial banks and for delinquencies on utility bills are stated in dollar amounts, just as are the finance charges on the installment sale of automobiles.

"'<u>LACK OF AWARENESS VS. ECONOMIC STABILITY.</u>

"'Even if consumer finance charges

are not interest, some people still argue that they should be forced into an interest mold. One reason advanced for this proposal is to make consumers "aware" of the cost of their credit. Supporters of this argument assume that consumers are not sufficiently aware of the cost of credit if the charge is stated as a dollar amount or as a dollar cost per $100 per annum. They believe that true insight is achieved only if the cost of credit is presented as an annual rate on the monthly unpaid balance. It is alleged that once consumers realize what their credit costs in these new terms, they will reduce their "excessive" use of credit in a manner that produces greater economic stability.

"'It should be apparent that this argument rests on a number of unsupported and unprovable assumptions. First, there is no sound basis for the assertion that there is an excessive amount of consumer credit in use. Second, there is no reason to believe that consumers would reduce their use of credit over the long run when faced with an interest-rate form of statement. Their demand is for services and products they obtain with the use of credit. It seems doubtful that restatement of the finance charge would significantly reduce the need and demand for medical services, automobiles, and home appliances. Third, if the interest-rate form of statement did lower the use of consumer credit, it seems likely that the reduction would be relatively uniform over the business cycle. But the decrease in the use of credit in a recession would only deflate the economy further, an effect hardly to be

desired. There does not appear to be sound basis for the argument that the statement of finance charges as annual rates will cause consumers to reduce their use of credit in a manner that will bring about greater economic stability.

"'ANNUAL RATES AS AN AID TO SHOPPING FOR CREDIT.

"'The most appealing of the arguments for use of the interest-rate form of statement is that it will enable consumers to shop more effectively for credit. This is certainly a worthy objective. Implicit in this argument is the assumption that this shopping will bring about generally lower costs of credit.

"'Because there are so many different forms of credit and competing credit institutions, it is fundamental to the achievement of this goal that all grantors of credit be able to state their finance charges on a comparable basis, presumably as an annual rate. A consumer may purchase a refrigerator on credit in many different ways. He may obtain a loan from a credit union, consumer finance company, or commercial bank and use the cash proceeds to buy a refrigerator.

"'He may buy the refrigerator from a retailer on installment or from a department store on a revolving credit account. If he is to shop for credit and compare rates in the manner proposed, each firm offering him credit must be able to state its rates of charge prior to the conclusion of the contract, and each must state its rate on a comparable basis. If only some credit grantors can adopt the interest-rate form of

statement, the consumer is no better off. Indeed, he is worse off, because he must now contend with an unfamiliar form of rate statement and pay rates sufficiently high to cover added costs that the credit grantors must assume to comply with the new regulations.

"'This then is the fundamental question: Can all finance charges be converted into annual rates on a properly comparable basis? If they cannot, all of the arguments presented for the interest-rate form of statement are of no avail.

"'Before annual rates of charge can be calculated, it is necessary to know, among other things, the dollar finance charge and the maturity of the credit. These figures must be uniformly available on a truly comparable basis for all forms of consumer credit. They are not.

"'Proposals for converting all consumer finance charges into annual rates are unworkable for two main reasons: The finance charge can be buried in the prices of items sold on credit, and the charge cannot be computed at the time credit is granted on a wide variety of credit transactions.

"'A retailer selling an item on installment obtains his gross income from two sources: the cash price of the article and the finance charge. These may be varied at will subject to various state laws limiting the maximum amount of the finance charge. Encouraged by well-meaning consumer groups and assured of an "honest" rate statement by passage of legislation requiring the interest-rate form of statement, consumers

could readily concentrate their attention on a comparison of the financing rates offered. Dealers in automobiles and other consumer durables and those engaged in home repair and modernization could easily drive the finance charge into the cash price of the product or service. As a result they could quote deceptively low financing rates. The minimum amount of outstanding consumer credit that could be treated in this manner amounted at the end of 1960 to about $26 billion, (I'm quoting American figures), over 46 percent of total consumer credit and 60 per cent of installment credit.

"'On many types of consumer credit it is difficult to identify the finance charge accurately because of various fees or insurance premiums accompanying the payment of the finance charge. More important, it is practically impossible to determine at the time credit is granted the dollar finance charge or maturity of credit on cheque-credit plans offered by commercial banks and revolving credit plans offered by retailers. Although estimates of the amounts outstanding under such plans are not available, the amounts are certainly substantial. Moreover, the finance charge is irretrievably buried in the price of goods and services financed with non-installment credit. The minimum amount of outstanding consumer credit on which it is impossible to calculate the finance charge and/or maturity was over $12 billion at the end of 1960. Since this figure does not include cheque-credit or revolving credit, the actual amount that is immune from rate-statement legislation is considerably higher.

"'As a result of these practical deficiencies, at the end of 1960 it would have been possible to state consumer finance charges as annual rates on a maximum of about $17 billion of outstanding consumer credit, or only 31 per cent of total consumer credit outstanding and 40 per cent of total installment credit outstanding. To require institutions offering these forms of credit to state their rates on an annual basis would weaken their competitive position and confuse consumers.'

We return to page 4. "Professor Johnson points out, you will have noted, that treatment of the consumer finance charges as a service charge, rather than as interest, is consistent with the dominance of the risk and service components in the charge. The interest-rate disclosure form of statement, rather than protect the consumer, will lead consumers to compare rates that are not comparable, and to shop less widely for rates than they do now. Further, finance disclosure as an interest rate allows the unscrupulous minority of credit grantors to whittle away at the competitive position of the honest majority and to deceive unsuspecting consumers under a halo of legality.

"The conditional sales contract and the time-payment sale of the department store type with all their ramifications are standard and accepted methods of modern retailing.

"Of concern to our Associations is the prospect of any investigation which, because of the lack of careful exploration, results in hasty legislation

and fails to recognize the difference between the loan shark and modern retailing technique. Manitoba's Bill 101 would be a striking example of hasty, poorly thought out legislation. Such legislation would not only complicate the operations of virtually all retailers but stands a good chance of increasing the real cost of credit to the consumer." If I may interject, Bill 101 was subsequently amended to exclude the percentage interest references.

"Built into the modern time-payment plan as we know it is both an interest rate and a service charge. In the structure of the monthly payment there is pure interest which is compensation to the lending institution or a payment for forebearance for the lender's being willing to wait for the return of his funds. Second there is compensation for the risk and inevitable losses the credit institution must assume. Finally, there is a payment to the credit grantor for his costs of handling the account. With respect to the latter, these costs arise in granting credit, checking the risk, collecting monthly payments, closing the account, as well as the mass of detail in processing the original contract and the paperwork and records required to keep it current both on behalf of the consumer and the financial institution. The dominant part of any "credit" package is the <u>cost of servicing the account</u> and only <u>a relatively small portion</u> of the finance charge paid by the consumer can be attributed to pure interest.

"In a mortgage contract an interest rate is established and is either accepted or rejected

by the prospective mortgagee. The costs of preparing the mortgage; searching land titles; collecting the monthly mortgage payment and eventually discharing it are not included in the interest rate on the mortgage itself but are extras paid in cash by either party in the transaction. Were they included initially in the transaction and amortized over the length of the mortgage, the specified interest rate would be considerably more than the popular 6% to 7½% on first mortgages in effect today <u>or</u> the mortgage period would have to be considerably lengthened. In either case someone pays the costs of processing, handling and discharging the conventional mortgage and such costs are over and beyond the rate charged.

"In the time-sale contract, however, the full costs of preparing, servicing and discharging the account are included in the rate charged to the customer. There are no extras. The monthly payment plus the closing payment are clearly stated in all existing contracts in our industry. The customer can, for example, see exactly the number of dollars it will cost him to finance the unpaid balance of $1,500.00 over a three-year period. This figure would appear to be more than adequate for the protection of the purchaser. This is also a figure which he can shop if he so desires.

"At the grass roots of this problem of credit and interest disclosure would appear to be the archaic regulation contained in the Federal Banking Act which forbids the Chartered Banks from charging more than 6% interest per annum. Our criticism of the banks

is not their enthusiasm to be in the personal loan business and latterly the business of financing the automobile but rather their advertising of a 6% interest rate which is untrue where the personal loan is concerned. Uninformed customers are continually telling our salesmen that they can get the money "for 6% at the bank". The customer looks askance at our salesmen if they even suggest that such is not the case. We are told bluntly that the stable and secure chartered banks would not dare defy the act of Parliament which governs their activities. The so-called 6% bank rate may be anywhere from 6% to 12% in simple interest.

"The problem of interest disclosure on the conditional sales contract in our industry, in the final analysis, will rest on the shoulders of the individual salesman. He will be the person who will have to make the computations necessary to figure the rate. Most are excellent salesmen but few are, or pretend to be, mathematicians. Beyond their familiarity with simple, straight-forward calculations, most have long ago forgotten trigonometry, algebra, logarithms or any other mathematical theorums. This would also apply to dealership management.

"In a letter, in our files, Mr. Murray G. Bulger, Murray G. Bulger & Associates Limited, Toronto, a most accredited firm of actuaries says:- 'Quite honestly I find it difficult to imagine that many salesmen would have sufficient knowledge of mathematics to accurately translate finance charges to a simple interest rate per annum. The salesman's problem becomes

one of the following - (1) Knowledge of compound interest; (2) Extensive calculations which involve fractional powers of interest functions, thus requiring knowledge of the binomial theorum; (3) Several interest rates must be tested and then the proper one obtained by interpolations. I believe that the equations used in answer to the four problems you set out under heading of 'financing of durable goods' should prove our point that such calculations could seldom be made by people without a professional background in mathematics.'"

Gentlemen, will you turn to Addendum "A". "Addendum "A" is a list of the four problems which were submitted to Murray G. Bulger & Associates Limited and to William A. Mercer Limited, Toronto. Any one of the transactions ahppens daily and the contract is completed by some automobile salesman in Ontario."

Let me read #3 to you.

(All of Addendum "A" typed in for the record)

Addendum "A"

(1) New Automobile. Balance payable monthly. Balance to be financed after down payment - $2,400.00 Finance charges for 30 months - $196.00. Total of contract $2,596.00. To be paid as follows - first installment $102.00 followed by 29 consecutive monthly installments of $86.00 each.

(2) New Automobile sold to a school teacher. Balance to be financed after down payment - $2,400.00. Finance charge - $460.00. Payments of principal to be $100.00 per month February to June inclusive. Skip July, August and September. Resume payments October

[illegible]

1st until account paid in full. Finance charges to be apportioned equally to each payment. Total of contract including finance charges - $2,860.00

(3) Used Truck sold to a farmer. Balance to be financed after down payment - $1,200.00. Finance charges -$138.00. Payment of principal September 13 - $200. October 13 - $200. November 13 - $200. Skip to April of following year. April 15 - $100. May 15 - $100. Skip to September, when the crops are coming off - September 15 - $150. October 15 - $150. November 15 - balance including finance charge - $238. Total of contract - $1,338.00.

(4) Refrigerator, balance payable monthly. Balance to be financed after down payment - $350.00. Finance charge for 24 months - $70.00. To be paid in 23 instalments of $17.00 each with a final instalment of $29.00. Total of contract - $420.00.

"Addendum "B" is the formulae used by Murray Bulger & Associates to calculate the "effective annual compound interest rate" for each of the problems given in Addendum "A". Note the formula for #3 which I just read.

Addendum "B"

(1) $$73 + 29\left(\frac{1-V^{\frac{30}{12}}}{1-V^{\frac{1}{12}}}\right)$$

(2) $$\left(100 + \frac{460}{24}\right)\left(\frac{1-V^{\frac{6}{12}}}{1-V^{\frac{1}{12}}}\right) + V^{\frac{9}{12}}\left(\frac{1-V^{\frac{1}{12}}}{1-V^{\frac{1}{12}}}\right) + V^{\frac{21}{12}}\left(\frac{1-V^{\frac{4}{12}}}{1-V^{\frac{1}{12}}}\right)$$

$$(3)\quad V^{\frac{3}{24}}\left(200\left(\frac{1-V^{\frac{3}{12}}}{1-V^{\frac{1}{12}}}\right) + V^{\frac{7}{12}}(100)\left(\frac{1-V^{\frac{3}{12}}}{1-V^{\frac{1}{12}}}\right) + 150V\left(\frac{1-V^{\frac{3}{12}}}{1-V^{\frac{1}{12}}}\right) + 238\,V^{\frac{14}{12}}\right)$$

$$(4)\quad 17\left(\frac{1-V^{\frac{23}{12}}}{1-V^{\frac{1}{12}}}\right) + 29\,V^{\frac{23}{12}}$$

"Bear in mind that the formulae stated are based on "effective annual compound interest rate" which, we are given to understand, is a much <u>less</u> complicated calculation than the so-called "simple" interest rate. There are, of course, flat and discount rates as well.

"In our business, the "time payment" contract is an important part of any salesman's presentation. He is personally responsible for the sale from the initial contact, through all the steps until the sale has been completed - including the writing of a time-sale plan.

"Visualize, if you will, the confusion in the mind of salesman Smith, as he stands with farmer Walker down the sixth concession line out of Tillsonburg when Farmer Walker says: "Okay, I'll take that truck. I'll pay $2,000 in September when my main crop comes off; $100 a month from my milk sales until February and the balance next June".

"It may be said that this is an extreme case. Perhaps so for Metro Toronto dealers but, unfortunately, such is not the case for the dealer in the

small town. Even if it were an extreme case it would still have to be figured by someone. We doubt if anyone in this small town dealership could figure an interest rate on this transaction. We would oppose legislation which would force this dealer to send the contract to an actuarial firm to have the interest calculated on a percentage basis.

"While we in the retail automobile business welcome and support the investigations of this Committee and subscribe to any principle which will protect the public at large from usurious or misleading finance charges, we confess that our sales people cannot figure "simple" or even "effective annual compound" interest rates. We say "cannot" because quite frankly and honestly, we just don't know how to calculate such percentages.

"Even the professionals are at variance over formulae. See the formulae given in Addendum "C" to this document which are (a) that blessed by the U.S. Reserve Board and (b) a reference to the Murray Bulger and Associates Formulae. There are others about which we have heard and which differ again from these two examples."

I'd like to read it to make a point.

Addendum "C"

"Quotation from the Financial Post:

"'There has been much comment in the Canadian Senate and elsewhere about the need to protect the man who buys on time by forcing lenders and retailers to set forth, clearly and plainly, the "simple"

annual interest rate being charged.

"'But the fun is just beginning. Who is going to decide what is the "right" formula for figuring the true "simple" interest rate?

"'There are various ways of tackling the problem but the U.S.A. Reserve Board has put its austere blessing on this formula for estimating the interest paid on an installment loan to finance a car.

"'Since this might be the formula for Canada too, we present it here for the Hon. Senators and others who have no trouble at all in finding their way around this arithmetic formula

i - RATE OF CHARGE.

m - NUMBER OF PAYMENTS IN ONE YEAR (12)

n - NUMBER OF PAYMENTS TO DISCHARGE DEBT (24)

D - CHARGE IN DOLLARS ($196.24)

P - PRINCIPAL OR CASH ADVANCE ($1,634.00)

$$\text{FORMULA} - i = \frac{2mD}{P\,(n+1)}$$

$$= \frac{2 \times 12 \times 196.24}{1{,}634 \times 25}$$

$$= \frac{4{,}709.76}{40{,}850.00}$$

$$= 0.1153 \text{ OR } 11.53 \text{ per cent.}$$

XXX Simple, what? And so easy for the average shopper to check.'

"Applying the above formula to Problem No. 1 in Addendum "A" to this document, we come up with a simple interest rate of 6.89%. Let's look at problem one a minute.

"New Automobile. Balance payable

monthly. Balance to be financed after down payment - $2,400.00. Finance charges for 30 months - $196.00. Total of contract $2,596.00. To be paid as follows - first installment $102.00 followed by 29 consecutive monthly installments of $86.00 each. If that is isn't a standard contract in our business or I'll eat my shirt. This is a standard contract written every day in our business.

Addendum "C"-continued

"William A. Mercer Limited, a Toronto actuarial firm states that the interest rate on this problem is as follows:

Simple interest rate -- 14.03%

Annual effective rate of Compound Interest -- 14.16%.

Using the U.S.A. Reserve Board formula they say it's 6.89%. It's interesting to note that Murray Bulger & Associates calculations are completely different to the proceeding. Obviously the Financial Post's observation in the line above (marked with a triple X) is a mild understatement.

Why Percentage Interest Disclosure is Unnecessary on the Conventional Conditional Sales Contract.

1. It is the opinion of our industry that percentage interest disclosure is both unnecessary and undesirable since the automobile buyer presently obtains full disclosure of the finance charges he assumes in terms that he can understand and appreciate, namely, in dollars and cents. People are paid in dollars and cents and not in percentages. The significant item from their viewpoint is the amount of the monthly payment. The conditional sales contract used in the retail auto trade

prominently displays the amount of the cash selling price, down payment, unpaid balance, the amount of the charge, and the amount of the monthly installment <u>all</u> in dollars. We contend that this is very much more informative and meaningful than a statement of the charges in terms of simple annual interest.

2. If it were decided that charges must be stated, both in dollars and as a per cen per annum, it is very likely that anything over 6% per annum would be buried in the sale price. In other words, the charge would go underground, which would be undesirable because the consumer would not then know how much he was paying for the merchandize and how much for financing. Driving the cost of credit underground would be a disservice to the public.

3. The confusion which a quoted interest rate can create is evident in an example presented in the House of Commons, Ottawa, by the then Member for Assiniboia, Mr. Hazen Argue. Mr. Argue commented that a well-known department store was charging 54% per annum on installment contracts. This was the rate, which he said was computed for a service charge of $2.25 on a balance of $20.00 paid in five equal monthly installments. The point here is that most purchasers would not object to a charge of $2.25 for the privilege of paying for an article on time over a five-month period. While ignorant of the actual processes involved, their common sense would tell them that a reasonable charge for service would be justified. In return for the $2.25 charge, the store had to provide the funds, secure a credit check,

set up the account, assume a risk, collect and process the installments and close the account. However, had the customer been quoted a charge of 54% per annum, he would have concluded that there was something seriously wrong because of the prevalent belief that anything over 6% is usurious. Actually, the trouble mainly lies in failure to distinguish, for the sake of convenience, between the cost of money and the other services involved in a credit sale. In this case the actual money cost was probably in the range of 25 cents, with the balance of $2.00 applying to, but hardly paying for, the other services. The smaller the amount of credit involved, the more indefensible the service charge appears, when quoted as an annual rate of interest. The bulk of credit sales by smaller merchants fall into this category. Percentage interest rate disclosure would drive credit costs underground and confusion would exist where none exists today.

4. Money is involved in every deal made throughout the business world, but practice and custom is to state the cost as a percentage only where a loan is involved. People are accustomed to having the cost of borrowed money expressed as a percentage while the cost of a service is usually quoted in dollars and cents. It may be argued that both are money, but that is the custom of the trade just as it is the custom to buy carrots by the bunch and potatoes by the pound, even though both are vegetables.

5. The present practice of expressing the finance charge in terms of cash is universal in North America. In

thirty states of the United States, there are laws governing installment sales, and in each case the law requires, among other things, the disclosure of the dollar amount of the finance charge. This is soundly based on thirty years of experience with a substantial volume of sales financing, and it has proved to be a workable method.

6. Conditional Sales Contracts executed by the buyer and seller are subject to Provincial Legislation throughout Canada. In our opinion these laws adequately protect the rights of the consumer and we question the necessity of percentage disclosure which in some cases is being advocated by those who do not appreciate the problems it would create for the small retailer.

"We are grateful to the Chairman of your Committee for having invited us today and for the privilege of presenting our views. We are in favour of full disclosure of finance charges to the consumer.

"May we close with the following recommendations:

(1) That finance disclosure on the conditional sales type of time-payment sales contract continue, as has been traditional, in dollars rather than percentage of interest and

(2) That the Committee weigh the advisability and possibility of legislation forbidding the advertising of interest rate percentages unless those advertised percentages are first tested and approved by some agency accredited by our Provincial Government.

"The foregoing is respectfully submitted on behalf of the Automobile Dealer Associations of Ontario and The Toronto Automobile Dealers Association.

THE CHAIRMAN: Now, there may be some questions.

MR. HOMEWOOD: Mr. Chairman, I have three practical automobile dealers with me, who are prepared to answer your questions from their own experience, so if you will direct them to any of them, why I know they will be happy to answer.

MR. SEDGWICK: We will just direct them to the panel and anyone can pick it up who wants to. First, on page 1 of your brief you say, "The Toronto Automobile Dealers Association represents one hundred and thirty four franchised new-automobile dealers ..." Do you represent all the franchised new-automobile dealers or not? About how many are there?

MR. HOMEWOOD: Well, the 134 in the City of Toronto would be approximately 90% of the trade, franchised new car dealers.

MR. SEDGWICK: Yes, by franchised you mean franchised --

MR. HOMEWOOD: From the factory.

MR. SEDGWICK: Yes. Then, the same question as to the Ontario Automobile Dealers Association. Would you represent a similar percent?

MR. HOMEWOOD: No, it wouldn't be nearly as high.

MR. SEDGWICK: About what?

MR. HOMEWOOD: It would be about 55%.

MR. SEDGWICK: I see. So that there are /about 45% of the franchised dealers who are not members of your Association.

MR. HOMEWOOD: That's right.

MR. SEDGWICK: May we take it that as to their practices, you would only have second-hand information?

MR. HOMEWOOD: Yes. Let's put it this way, Mr. Sedgwick, they would fall into the usual pattern, I'm quite sure.

MR. SEDGWICK: I see. Well then, on page 4, at the top of the page. Do you have with you the copy of the form a buyer of an automobile signs? I was curious about the statement that the dollar cost is made known to him. Just how is it made known? Is it made known by writing down so much for carrying, so much for service, so much for insurance, and so on?

MR. SEITZ: Sir, it's made known in the form of a total unpaid balance, which would include the balance owing on the purchase of the automobile and any additional charges, such as automobile insurance, total to call totalled unpaid balance and directly below that figure -- I don't have a form, I think we all use different forms because we are all associated with different companies -- directly below that is a total of time deferred balance,

which shows the unpaid balance plus the total finance charges.

MR. SEDGWICK: Well, what I am getting at is, suppose the cash price of the automobile is $4,000.00 and by way of a turn in you give him $1,000.00. Then it would be $3,000.00. Is that right?

MR. SEITZ: Yes, that's correct.

MR. SEDGWICK: Then, would your form show the $3,000.00 and then added to that so much for all the service and carrying charges and then be divided into 36 -- most of the contracts are three years, aren't they?

MR. SEITZ: Many of them are, yes.

MR. SEDGWICK: Into 36 payments. Is that the way you do it?

MR. SEITZ: Substantially that's the way it works. Let's move the $3,000.00 figure down to include the total finance charges which would also include any life insurance on the balance, disability insurance, registration charge, etc. But it shows the total amount and that total amount might be $3,600.00. The purchaser, on the contract we use, would have to subtract from the $3,600.00 total, the $3,000.00 unpaid balance in order to determine his finance charge.

MR. SEDGWICK: Suppose that I went in to one of your establishments and wanted an automobile for cash, no financing, pay for it in cash. That would be the end of that transaction, wouldn't it?

MR. SEITZ: That's correct, sir.

MR. SEDGWICK: Then the same auto-

mobile dealer, using the same hypothetical figure of $4,000.00. If I gave you $1,000.00 I would then owe you three, wauldn't I?

MR. SEITZ: Yes, sir.

MR. SEDGWICK: And if I was going to pay you the $3,000.00 over three years, how much would I have to pay, in dollars and cents?

MR. SEITZ: I cannot tell you. It would depend on whether or not the vehicle was a new or used vehicle.

MR. SEDGWICK: Presume it was new.

MR. SEITZ: Fine. We would go to our rate charts and pick out the rate for 36 months for a $3,000.00 balance and I would be able to quote you very quickly -- I'm sorry I don't have the rate chart here. But we would state on the contract the total amount including finance charge and any other charge. And we would also state on the same contract the monthly payment.

MR. SEDGWICK: But you wouldn't break it down. You see I'm looking at the kind of note the banks get and for a normal loan of $400.00. Now, in your case the loan would be $3,000.00, because it doesn't matter whether it's cash or automobile (rest of sentence inaudible). The cost of the loan, in this case $34.80 on the $400.00. And on the note $434.80. Does your document separate the cost from the balance. By that I mean you put down balance owing, $3,000.00; cost of financing and other charges, $300.00 or whatever it may be, amount of note, $3,300.00?

MR. SEITZ: Are charge only shows the first and the last. You would have to subtract one from the other to determine the carrying charge or finance charge, however you wish to express it. This isn't our form. I think each one of us does -- any dealers do business with banks -- and we use their form.

MR. SEDGWICK: This is --

MR. ROLAND: Ours shows the balance to be lent, the finance charges and the total amount of note.

MR. SEDGWICK: I see. Your form would show --

MR. SEITZ: Some of them, in addition, will show the number of equal monthly payments and if there is a freak amount, as in the case of $86.00 a month but initial payment of $102.00 or closing payment of $102.00, it will show that either as a beginning payment plus 29 payments of so much or 29 payments of so much and a closing payment of $102.00.

MR. SEDGWICK: I see.

MR. SEITZ: So you can calculate them all and it will work out.

MR. SEDGWICK: All I have to do is sit down and do a simple sum in arithmetic to find out how much I had to pay?

MR. ROLAND: Certainly the amount of the finance charge is shown as a separate figure.

MR. SEDGWICK: Separate from the

carrying charge?

MR. ROLAND: No, the interest and carrying charge are one figure.

MR. SEDGWICK: Then how about the insurance?

MR. SEITZ: Insurance is added to the balance.

MR. SEDGWICK: Do you carry any forms of insurance, both life and fire and theft?

MR. ROLAND: Well, life is included with your finance charge.

MR. SEDGWICK: That is life insurance on the purchaser?

MR. ROLAND: That's right.

MR. SEDGWICK: Well then, how about fire and theft?

MR. ROLAND: That's shown as a separate figure and added to the total to be financed.

MR. SEDGWICK: Could you tell me what would be the total of all those figures on, say, a $3,000 balance?

MR. SEITZ: It would be clearly stated in the contract.

MR. SEDGWICK: I know, but I wondered if you could tell us how much it would be? So that we can compare it with what is charged by others?

MR. SEITZ: Mr. Sedgwick, we can quote, and do, three different rates for the same car, the same customer, the same balance. One is to finance

the vehicle, whatever the unpaid balance, the second is to finance the vehicle and provide life insurance coverage and the third is to finance the vehicle and to provide life insurance and to provide disability insurance as well, should the owner become ill. And each one of those rates is a little different because the insurance charge is built into the monthly charge as well.

MR. SEDGWICK: And the life insurance is optional with the purchaser?

MR. SEITZ: Oh, yes.

MR. SEDGWICK: And of course the fire and theft is compulsory unless they provide it themselves, or you add it to the cost of financing, is that right?

MR. SEITZ: If the balance is over $300.00 owing. Below that it doesn't make any difference.

MR. SEDGWICK: Well I'm thinking where the balance is $3,000.00. Do you deal with a number of finance companies. Take anyone who is a dealer, do you deal with a number of finance companies or do you do all your business through one finance company of your selection or the selection of the manufacturer whose public you sell?

MR. SEITZ: We deal with a number of finance companies.

MR. SEDGWICK: You shop around?

MR. SEITZ: Not necessarily, sir. The quality of the credit involved or the risk involved

varies. We don't shop, we specify that certain types of contracts are discounted with one firm and certain others with another firm. Our customers, of course, dictate exactly what they want, they are shopping, of course, as we do.

MR. SEDGWICK: That is, a higher risk might go to some firm that will accept a higher risk, and, I assume, at a higher rate, is that right?

MR. SEITZ: Not necessarily, but if they will accept it on a non-recourse basis where the dealer will not be obligated to repurchase the automobile in the event of failure on the part of the purchaser to --

MR. SEDGWICK: I was coming to that. Ordinarily, if the purchaser does not pay, the paper comes back to you, from your finance company, isn't that right?

MR. SEITZ: Yes, sir.

MR. SEDGWICK: Yes. Your guarantors of the paper?

MR. SEITZ: If it's a recourse note.

MR. SEDGWICK: Yes. And most of your notes are recourse notes?

MR. SEITZ: Yes.

MR. SEDGWICK: Yes. So it will come back to you. It has been said to me that some dealers,at least have an interest in having their cars sold on time rather than for cash. They get some sort of a kick-back from the finance company. Does that happen?

MR. SEITZ: Well, it's not a kick-back, Mr. Sedgwick. It's a repossession reserve. We do lose money on the resale of used cars that come back to us when the consumer fails to pay because generally the reason for this is that the consumer has lost all equity in the vehicle. It is no longer worth what is owing against it. The dealer then loses money and the income he receives from the finance company can be used to offset this loss. In a bad year it will generally just about offset it. A very good year the dealer will make some profit.

MR. SEDGWICK: So that in a good year the dealer some interest in the finance company's charges because, let us say,and I am taking a purely hypothetical figure, let us say that a finance company charges $100 and your contracts are uniformly followed, you might get something like 10% of that $100 back, is that right?

MR. SEITZ: Well, it certainly varies --

MR. SEDGWICK: I'm using hypothetical figures, because I do not know, but you would get something back?

MR. SEITZ: We build a reserve, yes.

MR. SEDGWICK: Yes. So that at the end of the year the finance company would owe you some part of the finance charges because the contracts have been honoured, and that's paid. Is that right?

MR. SEITZ: That is correct.

MR. SEDGWICK: Would you care to

tell us what percentage that is? Or whether it is constant or variable?

MR. SEITZ: We can tell you it's variable.

MR. SEDGWICK: Then it varies within what limits?

MR. SEITZ: From zero to -- let's put it this way. If you came to our organization to purchase a car and had previously shopped your credit-ability, your credit rating, rather, not your credit-ability, you may find that our rate wasn't satisfactory to you and yet we might still want to be of service to you through whichever finance company we dealt with. We may then be able to get a rate from a finance company that would recognize the fact that your credit was very, very excellent, and that the unpaid balance was low and that the equity in the deal was high for you. Then the dealer would receive no repossession reserve and, in fact, he wouldn't deserve one for he wouldn't have any risk.

MR. SEDGWICK: I see. But ordinarily -- I know how difficult it is to apply a percent -- but ordinarily your contracts where there would be a reserve (rest of sentence inaudible) -- you would have some kick-back, is that right?

MR. SEITZ: And it would be considerable in the case of a well-established dealer, would it not, $1,000.00 a year?

MR. SEITZ: Oh, yes. I think I pointed that out in the brief.

MR. SEDGWICK: I think those are all the questions I have.

THE CHAIRMAN: Mr. Bukator, do you have any questions?

MR. BUKATOR: I don't know whether I have any questions. I find in my cases -- I'm again lucky enough to have people who go to a bank if they have enough money to buy a car with -- and if I get them (rest of sentence inaudible)

I remember one instance -- maybe this will come out a little more forcibly before the meeting is over with -- I bought a car and had it financed some time ago. The figure of payment was $102.00 a month. I paid this for I don't know how many months, four or five months and found myself in a position to be able to retire the whole damn thing, maybe $1,900 or $2,000. So I went to the company I was dealing with, a very reputable group, a good company that I bought my car from. I said, "What will I save myself if I pay this off, the full amount?" And I found, to my surprise, --incidentally the rate of interest I had paid to that time was similar to the bank, or maybe a little less, in the neighbourhood of 6%. In other words, my first few payments didn't retire my principal sum at all because of the charges you have to get to pay for these things you spoke about. It certainly did this for me -- I felt in the first instance if I had gone to the bank I might have saved myself some money. But maybe these gentlemen can clear this up for me. The reason I suppose, Mr. Chairman, was

that the first four or five payments of $100 were wholly taken up and I was not allowed any discount on my balance of some $1,900.00 because it was the charges of insurance, credit charges, and so on. Just recently, and let me quote you a figure. This is comparatively new to me. I walked into a salesman in my area -- he came to me to sell me a new car and he said it's not hard to buy this. I don't have the money and told him at the moment I can't buy. He said, "It won't cost you too much. Only about ..." , and he got the little book out and said it would cost me for 90 days -- I'm not too far off on my figures -- $80.00 plus nine for insurance, $89.00 to finance that car for three months, when I could pay it off in full. And I would only owe the $3,000.00. The nine dollars was insurance. I talked to my banker about the same problem and he said, "Well, why do that? I will give you your money for three months for 6%". It was cut right in half, I savedmyself immediately some $40.00 and bought my car through the bank. But the point that I'm trying to make is that those first few payments just pay off the charges and interest and after that you get into the principal. Is my reasoning right? Again I find a lot of dealers in the Niagara District, salesmen especially, who would much rather you walk in with your cheque, and get your financing from banks. I think there's a saving, in my opinion, if you buy through a bank loan rather than a --

MR. SEDGWICK: Not everybody has your creditworthiness.

[illegible]

MR. BUKATOR: They tell me it's like a garden, you have to develop it after working in it for 40 years. (Laughter)

MR. ROLAND: Well, we have it established with the finance companies. I think there is a flat charge even if you finance it for three weeks, regardless of what the amount is, just for the cost of setting up the account, and the ledger cards and registering the lien and processing all the documents. I think most of them charge twenty or twenty-five dollars just to set it up.

MR. BUKATOR: You were talking about charges in connection with automobiles and you went on to relate some instances here in your brief. You, at one time, had to come to this conclusion of what you had charged -- at least this farmer for his tractor, let's say, or truck. Some rate had to be worked out by someone, somewhere. Why would it be so difficult for an accountant to set up a formula for you, because you usually go through this when you sell a car, to see what the payments will be. You are not so much interested in the interest --

MR. SEITZ: This is a standard contract we are talking about when we go to the book. Now in the case of these two, for example, the #2, the account with the school teacher. He paid regularly all year long while he was receiving a salary from the school Board. But in July and August, no payments, you see? Now what the dealer does in a case like this is call up the finance company that he deals with

--and incidentally, terminology; the finance company deals directly with the consumer; an acceptance company buys paper, as the term was used from an accredited retailer. Now in this case the automobile dealer would call up the acceptance company, quote the particulars on this case, they would work out the rate, call him back and give it to him.

MR. MacDONALD: Who does the consumer deal with at that point? The acceptance company? The finance company?

MR. HOMEWOOD: The dealer sells it to an acceptance company.

MR. MacDONALD: Does the consumer, then, from that point on deal with the acceptance company?

MR. HOMEWOOD: Yes, as far as payments are concerned. His contract has been sold, it's legal tender.

MR. BUKATOR: Well, the point that I am trying to make -- the schedules that you use, even though it might be 19 payments of $90.00 a month and one of $102, to complete the contract, someone had to work out a percentage rate for themselves to bring a profit to the establishment. Why couldn't it be worked out -- you apparently are opposed to it, but why couldn't it be worked out simply by saying the amount of payments on this particular overall package costs you 14% on this transaction. Why could it not be done? And then the schedule given to him.

MR. MacDONALD: In other words, to

take the staggered payments on the truck, you started out with a certain percentage. Surely you were charging an interest?

MR. HOMEWOOD: That's right.

MR. MacDONALD: Now you are creating a much more difficult problem to say what is going to be the effective rate of interest, because he, in effect, violates it and pays it on a different basis. But you must have had a calculation to begin with?

MR. HOMEWOOD: As a retailer, no.

MR. MacDONALD: Well, somebody had.

MR. HOMEWOOD: The company who would buy this contract from me has a formula, undoubtedly. They have actuarial people, mathematicians, statisticians, I don't know what you would call them, who would compute a thing like that from a formula that they would have. Now what they are we don't know.

MR. BELANGER: (Inaudible)

MR. HOMEWOOD: Undoubtedly, I agree, but try and train our salesmen to do this.

MR. BUKATOR: I don't think you would have to worry your salesmen too much about this formula or schedule, as you will, I think schedule would apply. He would just look at the schedule and say so many payments at so many dollars -- or even four in this season and six six month's later -- and your total transaction would cost you over a three year period, or a thirty month period, 14%. I think the

reputable dealer would want this. Their customers would come back to them again against the fellow who is rooking somebody. This is what this Committee is trying to establish and I can't see where an interest rate can't be worked out in such a way that your salesmen could just pick up a schedule and say that's it. Get your auditor or your experts to show you that this is exactly it, and nothing more. Now I see that you stress that interest rates are not desirable as far as you people are concerned, but it would appear to me that it is not as difficult as you make it out to be, from where I sit.

MR. MacDONALD: Well, Mr. Chairman, my comment is more or less along Mr. Bukator's. I think this is the most impressive case I have seen and the most erudite case I've seen, where Universities and everything have been drawn in to back up why you can't say interest. I have a thousand and one questions, and I am not competent to ask them all particularly at this hour of the day. But I am just not persuaded. I think we have got to break through this. However, let me deal with a special case --

MR. HOMEWOOD: May I make an observation as we stated in the brief? If you can come up with a formula that's simple, which you will legislate that this is the formula which will be used and nothing else, so that it's comparable right across the board, we are for you. We will put down that interest rate every day of the week and love to do it. But what is simple interest? Nobody knows, the experts

don't agree.

MR. MacDONALD: The point Mr. Irwin has made a number of times is, even if we came up with a formula, if somebody is going to disagree with it and say that this isn't the most accurate way of calculating interest, if it was accepted as the formula at least you would then have a yardstick. The formula may be completely cockeyed, but this is the yardstick.

MR. HOMEWOOD: This is the common denominator which we will use henceforth, as long as everyone else is using it.

MR. MacDONALD: Let me take a special case. There are one or two questions that grew out of this that I wanted -- it will only take me three or four minutes. This has been drawn to my attention by one of my constituents. A person went in to buy a used car and paid approximately $1,400.00 for it and there was another one which they were trading in which was roughly $1,000.00. So they ended up with $366.75. There was a $2.00 registration fee, making it #368.75. They had a finance charge of $39 and something for a total of $408. They discovered later that that finance charge really included a $9.00 insurance. Did I get you earlier that you don't have to take the insurance? Do you feel you are insured well enough yourself?

MR. HOMEWOOD: You don't have to take life insurance --

MR. MacDONALD: I mean life insurance.

MR. HOMEWOOD: You don't have to have the life insurance unless you so desire.

MR. MacDONALD: Well, this is a case where there was just no if, ands or buts about it. They came to the agreement, the thing was immediately put into the hands of the Associated Acceptance, which is an American company with some offices up here. This person went back to get a copy of their contract and there was none available. The dealer said, "I'm sorry, it's out of my hands now". It was with the Associated Acceptance. They went to the Associated Acceptance, their Head Office is in Indiana. They said, "I'm sorry, we sent it down to our Head Office". I looked up the law, --I'm glad you haven't left, Mr. Sedgwick, because this is rather interesting -- the seller shall deliver a copy of the contract to the purchaser within 20 days of the execution thereof. If, after request, he neglects or refuses to do so, the Judge of a County or a District Court in the County or District in which the purchaser resides when the contract was made, may on summary application make an order for the delivery of such a copy. Now, two points. One, the seller is out of the picture here. The action is out of date in the field of acceptance and finance companies.

MR. SEDGWICK: Except that he isn't out of the picture as far as that Act is concerned. I had in mind you always give the purchaser a copy.

MR. HOMEWOOD: Yes.

MR. SEDGWICK: That was my under-

standing.

MR. MacDONALD: From where?

MR. HOMEWOOD: From the dealer.

MR. SEDGWICK: I thought that's what --

MR. MacDONALD: Well, they wanted a copy of the contract that they had signed with the acceptance company. This is what they had to deal with from this point forward, to find out what the details were and what the interest rates were and everything. And they said they couldn't get it.

The second point that seems rather strange here is that if ever there was a toothless tiger this is it. If you have to go to Court to get it produced, and then when you get it produced you have to pay all the charges to get a contract that you were entitled to in the first instance. There is no penalty on not giving the contract.

MR. SEDGWICK: I'm not sure there is no penalty --

MR. HOMEWOOD: Mr. MacDonald, that car is sold on a time plan. The customer receives from the dealer a copy of the contract that he signs. So he has a copy of the original contract that he signs. Now the only thing that happens to that contract, when it goes to the finance company or, rather, to the acceptance company, to correct my terminology, is that it's endorsed over as a document to the acceptance company and the dealer is paid for it.

But the original contract that the customer has is still the contract that the acceptance company has in its file with the dealer's endorsement on it. Am I correct?

MR. SEITZ: Yes.

MR. HOMEWOOD: There is no new contract made between the acceptance company.

MR. MacDONALD: Well, in this instance it wasn't available down in Indiana. Just to complete the story -- when they tried to -- they just got more and more suspicious about this whole thing and they wanted to pay it off. They said, "How much would it cost to pay it off?" They said, "You are stuck with the full charges if you pay it off now or if you pay it off a year from now when the contract expires".

MR. SEITZ: Well, it just depends. This is going out. There are still some companies who live by this.

MR. MacDONALD: This was a case of it. But even more extraordinary, Mr. Chairman, they started to bargain around and they found that if they had gone to a Canadian acceptance company they would have wiped a contract at any point for a payment of $15.00. Beneficial Finance contends that they would charge the rate up to the time until you wanted to end the contract. In this instance they insisted for a time that the whole payment must be made beyond the original balance of $336 -- the extra $39.00. But after bargaining, they agreed to $25.

MR. HOMEWOOD: Was the customer in arrears on this one?

MR. MacDONALD: Oh, no, on the contrary, they were trying to get rid of it within six weeks of a year contract.

MR. HOMEWOOD: Had a payment fallen due, then he would have been in default and they could have done what they did.

MR. MacDONALD: Their contention, incidentally, when they said that they charge $25.00 as compared to the $15.00 charged to wipe out the whole thing, by the Canadian Acceptance, was because their parent office was down in Indiana and there were more charges in --

MR. HOMEWOOD: This is dealing with a foreign country and Canadian law.

MR. SMEDHURST: The pay-outs vary from company to company, I do know this. I'm not overly conversant. I know for example that you can get a cash pay-out, as in your case of $15 or $25 -- whatever the case may be. This can range company by company. You can also get a percentage pay-out. For example, a number of years ago I worked for a finance company in the home improvement field and the percentage they used was 6% on this basis. If you took a contract with me, shall we say for $100 -- you subsequently received a notice with a packet of payment slips and so forth, and you decided, "Well, the first payment isn't due, I think I'll just pay it off in cash". And you phoned and made a contact

and it was agreed to pay it out. Your charges to pay out the $100 would be $106.00. The $6.00, or 6%, whatever it would be, to compensate them for having gone through all the machinery of putting it through a credit check, etc., etc.

MR. MacDONALD: Well, the baffling thing about this was they started out by saying the charge is $39.00 if you pay it next week or at the end of the contract, it's the same. Then when they started to bargain they said, "Ours is $25, it has to be $25 rather than $15 that other companies charge because we are an American company".

MR. SEITZ: Some companies still do that.

MR. HOMEWOOD: Competition is forcing them to recognize the pay-out is a loss figure, let's put it that way.

MR. BELANGER: Mr. MacDonald, this has to do with finance companies, this really has nothing to do with the automobile dealer. This is after it's --

MR. MacDONALD: Except this, -- theoretically you are correct -- except that the thing about this person was that they made the agreement with the dealer, they had no idea of where it was going, they had no choice as to where it was going, and when they came back to ask questions, "You've come to the wrong place". Now, it's like this business of the selling of promissory notes, discounting your promissory notes. When the person who really was

involved originally, suddenly clears out, it seems to be your consumer is in a position we ought to take a look at.

MR. HOMEWOOD: Well, I'd like to raise a point -- Mr. Belanger, is it? Mr. Belanger brought it out. The theory that once this contract has been sold to a finance company the dealer doesn't care. Believe me he does because the car comes back for a turn in and a new model two years hence in a great preponderance of our sales. Mr. Seitz, sitting on my left here has built a business on happy, satisfied people who are bringing their car back to him every two years. We find in our trade -- we have a term that means almost anything, I'll just bring it out as a matter of curiosity -- if we find that we are being shoveled by a finance company, that finance company is dead as far as a reputable dealer is concerned. We will have nothing to do with them. There are too many reputable finance companies in the market who will be glad to deal with us and these are the people we work with. We are vitally concerned with having happy, satisfied people coming back to us repeatedly every two years or three years or four years, whatever it is.

MR. BUKATOR: You as automobile dealers then should be happy with the thought of some of us, at least. If you put the interest rate on the contract -- it might have to be worked out for you -- you can immediately say to your purchaser, "Here is a 12% rate across the board". "You go shop anyplace

[illegible]

else you like and see if you can do better". I think this would help you rather than hinder you. But your brief seems to hinge on the fact that the interest rate should not be there. This is where we differ.

MR. MacDONALD: This is really the point I had, Mr. Chairman. Your whole brief seems to be pitched in the direction of the undesirability of stating an interest rate.

MR. HOMEWOOD: Figuring it out.

MR. MacDONALD: Yes. You say that if it is according to a formula which is readily understandable on the part of the salesman, the consumer, and everyone else, you are not opposed to it?

MR. SEITZ: That's right.

MR. HOMEWOOD: Yes, Mr. MacDonald, I would certainly suggest we are not against disclosure of an interest rate at all, but that computation of such an interest rate just leaves us wondering --

MR. MacDONALD: This is fair enough.

MR. SEITZ: If the Ontario legislature eventually comes up with an Act or an amendment to the Act which states that this henceforth will be the formula to calculate interest, for want of a better term, all time payment contracts and nothing else will be used, then we would be for it. We don't mind people shopping around. They are doing it now anyway.

MR. BELANGER: All I have to say

[illegible]

is this whole brief remains just entirely the viewpoint stated that we shouldn't use an interest rate at all, just use the amount of money and so forth. I definitely feel that when people come to some arrangement there can be so many things hidden in this thing here, whereas if you have got an interest rate you have got (rest inaudible). You said something a little while ago, that you have nothing to do with the contract afterwards. I realize that you are automobile dealers and you want to keep your customers, I realize that. But at the same time I know that dealers today, there is such a turnover, they don't hold to like they used to several years ago. They don't take the interest in their customers that they used to.

MR. HOMEWOOD: Well, I grant you that you won't find two dealers alike.

MR. REILLY: There are two or three points, Mr. Chairman, I would like to clarify with members of the panel. Representing some 55% of the Ontario dealers and 94% of the Toronto dealers, how many of these dealers do business with banks rather than with the acceptance companies?

MR. SEITZ: I don't know.

MR. REILLY: Do any of the dealers deal directly with the banks to finance for their customers?

MR. SEITZ: We do, but not entirely. The vast majority are certainly with acceptance companies.

MR. REILLY: You make some dealings with the banks for your customers direct, rather than through the acceptance companies?

MR. SEITZ: Oh, yes.

MR. REILLY: And some other dealers do?

MR. SEITZ: Yes.

MR. REILLY: So that all the financing doesn't go through the acceptance companies?

MR. SEITZ: Oh, no. There is another aspect, of course, Mr. Reilly. Customers receive, the vast majority of our customers who finance their cars unbeknown to us, do tend to finance through whatever agency we are using because they must have confidence in us if they are going to buy from us in the first place, or they have dealt with us before and they are satisfied. But the remainder pay cash and a good many of those arrange for funds through the Credit Unions or banks or other lending agencies apart from the finance companies.

MR. REILLY: Well, it is generally conceded the it is cheaper to purchase money through the bank, for the lending of it, than to get it through the finance or the acceptance corporations. Is this your experience or not?

MR. SEITZ: Some of the time, there are many times when the acceptance company rate, particularly on a new car where the unpaid balance is low, where there is good equity, where the rate is very comparable and sometimes below the bank rate. And

I mean below including everything, the handling charge and life insurance and so on.

MR. REILLY: Then in some instances it is cheaper to get money from the acceptance corporation than from the bank?

MR. SEITZ: Yes. But I know it would be cheaper to borrow personally from a bank if I gave them $2,000 worth of bonds as collateral on a $1,000 loan, it would be cheaper for me to get my money at 6% simple interest to go and buy a car. But if I didn't have the bonds and my only collateral was a car and I went to the same bank, I would find that that 6% simple interest perhaps was some form of compound interest or flat interest that was effectively a good deal higher than that.

MR. REILLY: I was wondering if Mr. Homewood would tell us whether there is any fixed service charge by all your dealers when they finance a car? Is there any fixed minimum service charge?

MR. SEITZ: Not to my knowledge. By the dealer, Mr. Reilly?

MR. REILLY: Yes.

MR. SEITZ: It isn't struck by the dealer it's struck by the company he deals with, the finance company or the acceptance company.

MR. REILLY: Yes, but supposing now I purchase a car from any dealer. There are certain things that are mandatory for me to purchase if I want to finance? For instance, it was suggested

that life insurance was not mandatory. In some instances it would be included, in others it is desirable, but it's optional; is that right?

MR. SEITZ: Yes.

MR. REILLY: Now, fire and theft was mandatory. If you didn't put it on yourself they would insist that it be placed on it. That's what I was trying to find out, if there are any other charges that were compulsory.

MR. SEITZ: That are not built into the interest rate?

MR. REILLY: Yes.

MR. SEITZ: The registration fee of the lien, I think is $2.00 now, but it's normally built into the -- what we refer to as the finance charge.

MR. REILLY: Just a registration fee?

MR. SEITZ: Yes, there is no other handling charges assessed by the dealer.

MR. REILLY: In some other instances when money had been borrowed, they are being surveyed and there have been service charges and there have been inspection fees, a series of hidden charges. This is what we are trying to find out.

MR. SEITZ: No. You would never sell an automobile. I think it's true though that should an owner finance a car and prepay it in a very short period of time, there is a flat cancellation

[illegible]

charge by the acceptance company to cover the various opening charges and the credit check and the various other things.

MR. REILLY: Is there a standard rebate schedule?

MR. SEITZ: I would think that all the companies vary. This is something where the dealer does not come into it. The acceptance company and the customer make this arrangement because it is different than the original arrangement.

MR. REILLY: So wherever you have the best experience as far as the acceptance companies are concerned, then you generally invite you customers to deal with those acceptance corporations?

MR. SEITZ: Oh, yes. It's like having a particular favourite automobile. If we tried to sell them all we wouldn't be very sincere, I don't think.

MR. REILLY: But there is no minimum coverage as far as you are concerned, no minimum requirement?

MR. SEITZ: Except this registration fee. Yes, we will never say that people aren't interested in what they are going to pay for the loan of the money to get this new automobile. They are, and very much so. As a result we, as dealers -- I'm talking for these people and the people they represent -- we dealers are very much interested in a company that will come in with a better deal that we can pass on to the customer. It keeps us competitive

in the market.

MR. REILLY: Your experience has been that most of your clients are interested in what they are going to pay per dollar per month rather than the interest charge?

MR. SEITZ: I think so, honestly, yes.

MR. HOMEWOOD: Or the total amount in dollars.

MR. SEITZ: Right.

THE CHAIRMAN: No more questions? Well, thank you very much Mr. Homewood and gentlemen for being with us today.

This meeting is now adjourned.

---MEETING ADJOURNED
